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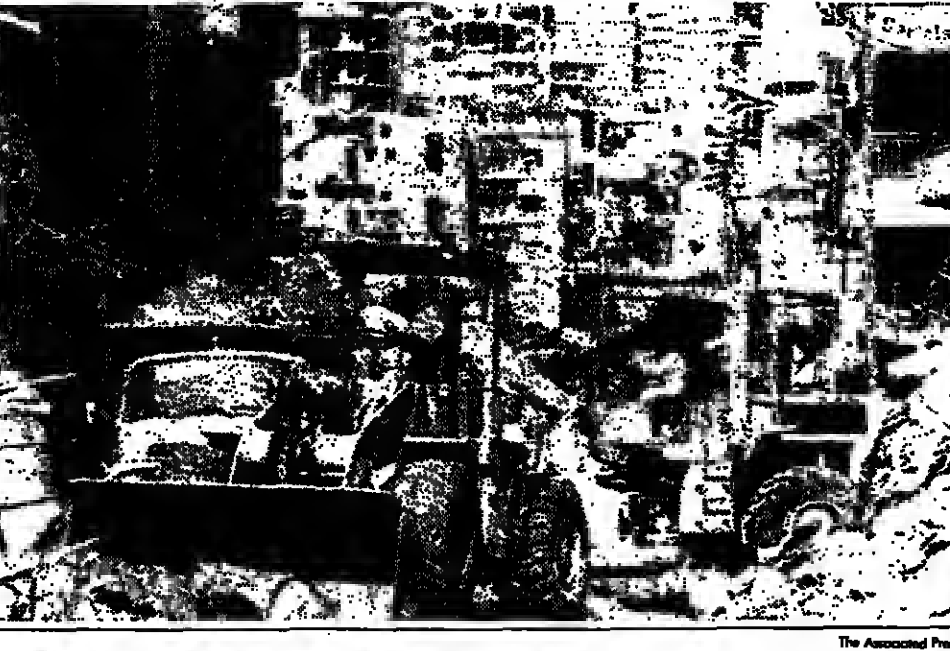
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Pageantry Opens Olympic Games
Ed Burke, the U.S. hammer thrower, holds the U.S. flag high at opening ceremonies at the Olympic Games at the Los Angeles Memorial Coliseum. The Soviet Union assailed the opening of the Games as a Hollywood-style propaganda show (Page 2), as the competition got under way (Page 15).

New Note Specific on Space Talk, U.S. Says

By Don Oberdorfer
Washington Post Service
WASHINGTON — The Reagan administration has sent Moscow a diplomatic note explicitly agreeing to discuss space weapons in Soviet-proposed negotiations, even as the Soviet Union again publicly attacked the U.S. position.
Anita Stockman, speaking for the U.S. State Department, said a private diplomatic note was delivered Saturday to the Kremlin by the U.S. Embassy in Moscow. A companion statement she made public said the United States is serious about substantive talks in Vienna, the proposed location of the talks.
"We are prepared to go there and talk about outer space, including anti-satellite weapons, and we have no preconditions," she said.
The diplomatic note and the State Department announcement, which are reported to be along the same lines, represent an effort by the administration to meet some objections raised by the Soviet Union in a private message Thursday and public attacks Friday in a continuing exchange over the proposed talks.
The Kremlin claimed that the United States did not say explicitly in an earlier communication that it would go to Vienna to discuss outer space.
Tass continued an attack along these lines in its latest commentary, issued Saturday, which charged the United States with substitution of one subject for another in its response to the Soviet proposal for Vienna talks.
The U.S. statement said nothing about the Reagan administration's desire to discuss strategic arms negotiations in the Vienna talks, but a White House official said the United States has not dropped its insistence on bringing up this subject if the talks are held.
There was no mention in the State Department statement regarding the Soviet demand for a moratorium on testing and deployment of outer space weapons from the beginning of the Vienna talks, but officials have made it clear that the United States is not ready to accept this.
The text of the U.S. note was not disclosed, and the State Department urged that Soviet-American exchanges on the subject return to confidential diplomatic channels rather than being disclosed in public attacks.
The Soviet government said Friday that the U.S. position made it impossible to begin talks, but Miss Stockman reiterated Saturday that "We do not believe that the Vienna talks are impossible if the Soviets are seriously interested in negotiation."
Other officials said the prospects appear to be dimming with each latest move from Moscow.
Secretary of State George P. Shultz, who approved Saturday's State Department statement as he flew with President Ronald Reagan to the Olympics, has been saying for some time that "the Soviets won't take yes for an answer" on the invitation they themselves issued on June 29. It appears, also, that the Reagan administration is not ready to take no for an answer.
Last January the Pentagon tested an anti-satellite device fired from an airplane. Pentagon sources say another test is scheduled in a few weeks, but the weapon has not been tested against a target in space.
In another Soviet commentary, a Tass analysis, Gennady Shishkin, charged in the newspaper Rural Life published Saturday that the United States is to blame for "the sabotage" of the Vienna talks.



Bulldozers in Beirut started clearing rubble and earthworks along the Green Line Saturday.

Soviet Revives Call for a Conference To Find End to Arab-Israeli Conflict

The Associated Press
MOSCOW — The Soviet Union called on Sunday for an international conference to end the Arab-Israeli conflict.
It said that all parties to the conflict, including the Palestine Liberation Organization, should attend together with the United States and the Soviet Union.
The Soviet proposal, contained in a statement carried by Tass news agency, attempted to overcome likely Israeli objections by saying that all countries in the conflict should commit themselves to honor each other's sovereignty, independence and territorial integrity.
Israel has consistently refused to deal with the PLO until it recognizes Israel's right to exist.
The Soviet proposal was similar to earlier Moscow positions on the Arab-Israeli conflict.
It said that the conference should concentrate on the return of lands captured by Israel since 1967, the creation of an independent Palestinian state and the return of East Jerusalem to the Arabs.
Participants at the conference should include Israel and its Arab neighbors — Syria, Jordan, Egypt, Lebanon — and the PLO, Tass said.
The Soviet Union and the United States should also take part because of their important role in Middle East affairs and in view of their status as co-chairmen of the last international conference which was called after the 1973 Middle East war, the proposal said.
Other nations in adjoining areas could be allowed to join the conference with the consent of the participating nations, according to the proposal.
In 1981, President Leonid I. Brezhnev called for a conference as "an alternative to Camp David," the U.S.-sponsored Egyptian-Israeli peace process. His call was taken up by several pro-Western Arab leaders, such as King Hussein of Jordan.
On Sunday, Tass said conference participants should work toward drafting a treaty calling for the withdrawal of Israeli troops from all Arab territories, the creation of an independent Palestinian state and guarantees of peace and security of all nations in the Middle East.
The Soviet government drafted the proposal because of its concern "over the remaining explosive situation in the Middle East," the statement said.
"The Soviet Union is profoundly convinced that the vital interests of the peoples of that region and likewise the interests of international security as a whole urgently dictate the need for the speediest attainment of a comprehensive, just and lasting settlement of the Middle East conflict," Tass said.
Settlements established by Israel in the Arab territories after 1967 should be dismantled and the borders between Israel and its Arab neighbors should be declared inviolable, the Soviet proposal said.

Battle Interrupts Effort to Extend Beirut Security

By Loren Jenkins
Washington Post Service
BEIRUT — Rival Moslem militias battled each other for three hours in the streets of the western sector of Beirut Sunday, breaking a truce that had reigned in the capital for more than three weeks.
On Saturday, residents of Beirut heard the hopeful sound of bulldozers as the Lebanese Army began the second phase of the government's ambitious security plan to end the physical division of the city.
The fighting that sent Sunday strollers fleeing for their homes left at least two dead and 15 wounded, according to police. One of the dead and at least 10 of the injured were civilians, police said.
The fighting ended after officers of the predominantly Moslem 6th Brigade, which is officially in charge of Beirut's security, got in touch with leaders of both militias — a mainly Sunni Moslem group and the militia of the Druze sect.
Although the fighting was restricted to one small area of the city, armed militiamen from various other local forces soon were out in the streets of other parts of the western sector.
Having succeeded early this month in halting the major clashes in Beirut between rival militias, and opening up three crossing points across the Green Line that has so long divided the capital, the government Saturday sought to erase the division line that has separated the Christian eastern sector of the capital from its predominantly Moslem western neighborhood.
"There is no longer an east Beirut or west Beirut," proclaimed Brigadier General Mohammed Haj, the commander of the 5,000-man garrison of Lebanese soldiers that already has been deployed — in religiously segregated units — in both sectors of the city.
There have been at least half a dozen attempts to eradicate the Green Line of shell-shattered shops and bullet-pocked apartments. All have failed.
The effort to bulldoze away the vast network of earthworks and barricades from which rival militias have fought and to defuse old mines and unexploded rocket and artillery shells littering the area came as Prime Minister Rashid Karami returned from Saudi Arabia, where he sought financial aid for the Beirut reconstruction.
Mr. Karami said Saudi Arabia has pledged financial support to help in the country's reconstruction, and political support to help liberate the Israeli-occupied south of Lebanon. He did not specify how much money has been promised Lebanon, but some officials have put the figure at \$450 million.
Saturday's second phase of the implementation of the Beirut peace plan sought to wipe out all barricades separating the city, open up two new arteries of travel between east and west and create a neutral buffer zone free of any militiamen.
About 2,500 new troops, drawn from both Moslem and Christian units, were being deployed in the Green Line area, which runs from the Beirut port area eastward and then southward toward the airport.
These mixed units are to patrol a neutral area between the capital's two dominant zones, where still only predominantly Moslem Lebanese soldiers patrol the Moslem sector and Christian army units patrol the Christian sectors.
The clean-up operations between the two zones are expected to take three or four days to complete. Traffic across the newly opened arteries between the two zones — the Sodeco crossing and the Fuad Chehab overpass — is not expected to begin until Wednesday.

U.S. Moving to Sidestep World Trade Agreements

By Stuart Auerbach
Washington Post Service
WASHINGTON — The Reagan administration, frustrated by the pace of global efforts to change the rules of international trade, is moving outside the system to develop separate agreements on specific issues with individual countries or small groups of nations.
U.S. officials believe the present trade rules of the General Agreement on Tariffs and Trade (GATT), which govern international transactions for 90 nations, thwart the competitive advantage of the United States in services, agriculture and high technology.
The administration intends to attack barriers to trade that are developing in such services as banking, engineering and insurance, to set guidelines for free trade in high technology and communications, and to close loopholes that permit some nations to subsidize their farm products for export and restrict agricultural imports.
But Third World nations, burdened with heavy international debts, oppose the Reagan administration efforts, which are likely to include attacking trade barriers erected by such newly industrialized nations as Korea and Brazil. Products from these countries find ready markets in the United States.
Many Third World nations fear that new trade rules in services and high technology will work against their aspirations to become export powers in those new areas.
Some trade specialists are worried that the U.S. move to circumvent GATT could derail the world trading system.
As part of the strategy, the Reagan administration is negotiating separate trade pacts with Israel and Canada. Michael B. Smith, the deputy U.S. trade representative, is traveling around the world trying to put together agreements with groups of countries in specific trade areas.
"We are not abandoning GATT," Mr. Smith said in an interview in Washington between a visit to four Latin nations and a tour to seven Asian states. "We'd prefer to do it all through the multilateral system."
But, Mr. Smith added, "we are not going to wait for a consensus to develop" among all GATT members for a new global round of trade talks, which the administration would like to start in 1986.
Mr. Smith described the strategy as an "a la carte" offering of bilateral, multilateral or group agreements, all leading to more liberalized trade.
He said his office sees the new administration thrust as a way to prod major trading nations to develop "the political will to move the system forward" after five or six years of stagnation.
For example, Mr. Smith said, a group of nations that share the U.S. view that agricultural trade should be liberalized and that export subsidies should be dropped could enter into a separate agreement outside of GATT. Another group could lead negotiations in high technology and telecommunications, while a third negotiating circle could form on trade in services.
"If you get enough of these circles going," Mr. Smith said, "you have the equivalent of a new round going forward." This would, in effect, be a group of mini-GATTs of like-minded nations.
Mr. Smith acknowledged earlier this month that the global system could be wrecked by a wrong move by either the United States, Japan or the European Community.
"It is that fragile," Mr. Smith said.
West Germany's economic minister, Martin Bangemann, warned Thursday on a visit to Washington that bilateral trade agreements "could do harm to the international principles of free trade."
"I'm not in favor of bilateral agreements," he said. "I'm in favor of multilateral agreements."
Mr. Smith said he received a mixed response from the Latin nations he visited. Brazil, he said, took the "philosophical or theological" Third World position that studies ordered at the GATT ministerial meeting in November 1982 should be completed before planning begins on a new round of talks. He also said Brazil was reluctant to see GATT get involved in high technology or trade in services.
But Argentina's "overriding concern was bilateral," Mr. Smith said. "It is interested in anything that will expand trade with anybody."

Iranian Leader Says Diplomacy May End War

By David B. Ottaway
Washington Post Service
ROME — For the first time, a top Iranian political leader said publicly Friday that Tehran was now following "the diplomatic way" to end nearly four years of war with Iraq.
Speaking at a Friday prayer service in Tehran, Hashemi Rafsanjani, speaker of the parliament and leader of the most militant faction in the Iranian leadership, said Iran had not given up its goal of seeing President Saddam Hussein of Iraq punished for starting the war, but was seeking diplomatic means to do this "through a qualified tribunal."
His comment came amid new diplomatic activity by Gulf Arab states led by Saudi Arabia to de-escalate tensions in the region and search for ways to bring the two countries to negotiations.
Mr. Rafsanjani, who is Ayatollah Ruhollah Khomeini's personal representative on the government's Supreme War Council, left unclear how far Tehran was now prepared to go toward opening talks. But he did say that the delay in Iran's long-expected offensive was because of its hopes that the diplomatic moves would produce some results.
The Islamic Conference Organization, a grouping of more than 40 Moslem nations, decided last week to send a "good-will" mission led by President Dawud K. Jawara of the Gambia to Tehran and Baghdad to see if there was a basis for negotiations. Iraq has promised to cooperate fully but Iran seems wary of the Islamic mission.
At the same time, the Gulf Arab states, particularly Saudi Arabia and Kuwait, are known to be eager to reduce tensions over the recent "tanker war" in the Gulf, in which half a dozen Kuwaiti supertankers were damaged by Iranian planes retaliating for Iraqi hits on Iranian oil tankers.
In addition, Iran in early July stopped a Kuwaiti cargo ship, the Ibn Rochd, as it passed through the Strait of Hormuz at the Gulf's entrance, taking the vessel to the Iranian port of Bandar Abbas to search it and interrogate its crew. According to diplomatic sources in Baghdad, the incident, the second of its kind since early June, has renewed questions about Iranian intentions toward shipping in the Gulf, particularly toward Arab vessels.
Confronted with these events and the possibility of Iranian attacks on its own oil installations, the Saudi kingdom has adopted a policy of both greater military assertiveness and conciliatory diplomacy toward Iran.
In early June, Saudi Arabia shot down at least one Iranian F-4 fighter over the Gulf with the aid of U.S.-piloted Airborne Warning and Control Systems planes.
The Saudi Arabians have since let it be known that they are ready to shoot again and have established an early-warning down the Gulf, just outside Iranian territorial waters.
"If they can't determine the plane's intent," a Pentagon source in Washington said recently, "they will shoot it down even before it gets to Saudi territorial waters."
Within two weeks of the attack on June 5, the Saudi Arabians made their first conciliatory gesture by announcing an increase in the quota of Iranian pilgrims they would allow into the kingdom this year, 150,000, from 105,000.
This was seen as a major concession since there have been clashes between Iranian pilgrims and Saudi security forces in Mecca the past several years over the holding of political demonstrations there.

Weizman Said to Edge To Coalition With Labor

By James Feron
New York Times Service
JERUSALEM — Ezer Weizman, whose party won three seats in Israel's parliamentary elections, is reported to be leaning toward joining an effort by the Labor Party to form a coalition government.
Such a move by Mr. Weizman could be a major blow to the Likud bloc's efforts to form a coalition under Prime Minister Yitzhak Shamir.
Mr. Weizman, a 60-year-old former air force commander, had been defense minister under Likud and could probably have served again with Mr. Shamir.
But Israel radio said Saturday that Mr. Weizman said he "cannot see himself sitting as part of a government that would not implement Camp David," the peace agreement Israel signed with Egypt.
Mr. Weizman's statement came after he emerged from a series of talks about a possible coalition with Labor leaders following last week's general election.
Mr. Shamir, who had opposed the Camp David accord, has shown reluctance to go beyond the Camp David accord to pursue negotiations with other Arab governments.
Although Likud received 41 seats to Labor's 44 seats out of a total of 120, it was thought to have more ideologically common ground among the 13 smaller parties that won representation in the new parliament, and therefore in a better position to form a government.
But Mr. Weizman, whose small Yahad Party stands in the center of the political spectrum, said throughout his campaign that his support could go either way.
Mr. Weizman was also reported to have advised Labor, which is headed by Shimon Peres, to seek some coalition partners from among the more moderate religious parties "in order not to have to depend on the Communists for a coalition."
Shas was the first of six previously uncommitted parties to express a clear preference between Labor and Likud and made Mr. Peres's task of forming a government more difficult, political analysts said.

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Quietly, Albania Allows An Opening in Its Wall

The writer, an Australian, is one of the few Western journalists allowed to travel in Albania in recent years. This two-part series, starting today, provides a rare look at life inside a country that has virtually closed its doors on the rest of the world.
By Uli Schmectzer
International Herald Tribune
VLORE, Albania — This is Albania, 1984: There is no unemployment. Nobody pays taxes. All property is owned by the state.
There is no rock-and-roll revolution, no rush to buy designer jeans. There is no video-game fever, no breakdancing, no drug problem.
Forty years ago, Albania turned its back on what it saw as a world obsessed with material goods. Its leadership cut off opposition at home and rejected any overture from abroad that might mar its view of a spartan, family-oriented "Albanian way of life."
There are signs of change, but very few. Hundreds of Western tourists sunbathe on the carefully groomed Durazzo coast, known for its golden beaches and crimson sunsets. Theaters in the larger cities feature orchestras, dance troupes and stage productions from other countries.
But officials here emphasize that sunstruck tourists and visiting theater groups do not presage drastic changes in a country that prides itself on being the last and best and purest socialist republic in the world.
They insist there is no deviation from 40 years of dogmatic ideology, whose principles are autonomy, independence, self-sufficiency and a defiant reluctance to compromise with the capitalist West or the Communist East.
Any temporary crack in the Albanian wall, such as letting a Western journalist visit the country, is prompted more by national pride and economic necessity than ideological reform.
Albanians want to show off the results of four decades of self-reliance on the 40th anniversary of the Communist takeover in 1944.



Bicyclist uses common form of transport in Albania, where only the state may own automobiles. Billboard reads "Long live the central Party of Labor of Albania, with comrade Enver Hoxha at its head." Mr. Hoxha has ruled the Balkan country for 40 years.

Officials also admit they would like to create a better climate for trade and the accumulation of foreign currency needed to buy equipment to help mechanize the nation. This is a country where the ox, the horse and the mule still provide transport and farmers use hoes, shovels and picks in their fields.
Albanians do not want capitalist handouts, they say. They do not want loans or foreign aid. But they do want new markets to serve as outlets for their abundant natural resources.
"We are not looking for investments," an official said. "But we're always willing to welcome friends."
Albania is fiercely independent and fearful of foreign influence. Its delegates at the United Nations and other international forums are notorious for denouncing former friends, as well as longtime foes.
"We are not prejudiced against other nations as long as they don't (Continued on Page 2, Col. 1)

Polish Dissident Condemns Amnesty Conditions as Too Strict

By Bradley Graham
Washington Post Service

GDANSK, Poland — A top-ranking member of the outlawed Solidarity union, who was freed from jail last week, has attacked the amnesty conditions set by the government for the surrender of underground activists as too demanding.

Andrzej Gwiazda, a former union vice chairman, said Saturday that underground political activity must continue because of the loss of the legal umbrella for opposition that was once provided by Solidarity.

As he spoke, Polish authorities reported the release of about one-third of the 35,000 political activists and common criminals who are expected to be freed under a broad amnesty approved on July 21.

Meanwhile, however, the government appeared to be delaying the release of the most senior Solidarity members and advisers. Only a few of the best known union activists have been released, among them Mr. Gwiazda, Grzegorz Falka, the Lodz regional leader, and Wladyslaw Frasnyski, regional chief at Wroclaw.

Government officials have declined to provide a schedule for the freeing of other key activists, saying only that all political prisoners will be freed within the next three weeks.

The amnesty is the most sweeping ever enacted in

Poland. Mr. Gwiazda and other critics have condemned the measure primarily because of its approach to the Solidarity underground movement.

The government has promised not to prosecute opposition activists who surrender before the end of the year. But they must confess to crimes committed while they were underground and promise in writing to refrain from further opposition activity.

A special amnesty provision was aimed at top-ranking underground members. To be freed, they must make extremely detailed confessions and give up whatever tools they used in underground work, such as radio transmitters or forgery kits.

"The way the authorities formulated the amnesty suggests they really don't want the underground to surface; the conditions are tougher than last year," said Mr. Gwiazda, referring to the amnesty of July 1983 announced in connection with the formal lifting of martial law.

In addition, Poland's Roman Catholic primate, Cardinal Jozef Glemp, was said by a church source to have objected in a letter to the Polish parliament to the terms fixed for the underground.

Why Polish authorities decided to compromise the generous release of all political prisoners by taking a relatively hard line toward the underground is open to speculation. Some opposition members believe that

the contradictory moves reflect a bargain struck among factions in the leadership.

"If the amnesty had been made a bit wider with regard to the underground, then a genuinely new situation would have been created," said Jan Jozef Lipinski, a literary critic who had been charged in connection with his membership in the Workers Self-Defense Committee, or KOR, and who was amnestied last week.

"The situation can't be expected to change much," he said. "The main underground members won't surrender. And in a situation where the underground exists, we'll have political prisoners again."

During the last two and a half years of political repression, Poland has witnessed a flowering of clandestine activity in the form of underground journals, uncensored cabaret performances in private apartments and unannounced lectures and conferences. The nominal guiding force for this work, and particularly for more demonstrative opposition actions, has been a small corps of Solidarity fugitives known as the Temporary Coordinating Committee.

Mr. Gwiazda said the committee was having an increasingly difficult time coordinating the underground movement. Mr. Gwiazda said he doubted that the committee members would surrender but thought

they should stop considering themselves the central organizing group.

Of all the dramatic moments in August 1980 when striking workers confronted Polish authorities with demands for free trade unions and more pay, the most poignant in retrospect involved Mr. Gwiazda.

At that time he was deputy to the workers' main negotiator, Lech Walesa. Toward the end of government-worker negotiations, Mr. Gwiazda leaned across a table and asked Mieczyslaw Jagielski, a deputy prime minister: "What guarantees do we have that in a year's time the strikers and members of this presidium won't be treated as common criminals?"

Mr. Jagielski is reported to have indignantly replied: "Mr. Gwiazda, you have made an insinuation that I must say has disappointed me. After all, I'm talking to the most upstanding of people. How could anybody ever treat the activists gathered here in such a manner?"

Mr. Gwiazda forgot about that exchange as the union grew in size and power. But he was reminded of his initial misgivings when he returned home last week. On his apartment wall was a Solidarity poster with his question to Mr. Jagielski inscribed on it. "I'm happy to be able to show, at least, that from the beginning I had a sense of what was going to happen," he said.

Moscow Assails Olympics As Hollywood-Style Show

Reuters

MOSCOW — The Soviet Union, which is leading a boycott of the Summer Olympic Games in Los Angeles, condemned the opening of the Games as a Hollywood-style propaganda show heralding an unrepresentative competition.

Soviet television and radio virtually ignored the opening ceremony Saturday, but Sunday a report from Los Angeles by the official news agency Tass described it as "an obvious political spectacle."

"This show, in the worst traditions of Hollywood, had it all: cowboys, wagons and bare-legged girls with many American flags, but no place for the Olympic ideals of sport and international friendship," Tass said.

Tass said that athletes from the United States' allies in the North Atlantic Treaty Organization were greeted by the crowd with a roar of welcome produced at the instigation of official cheerleaders, while a grim silence met delegations from countries hostile to U.S. policies.

"The Games are being used shamelessly by the American authorities as propaganda for their wicked anti-Soviet course and as an advertisement for the present incumbent of the White House," Tass said.

The Soviet agency also mocked an address by Peter Ueberroth, the Olympics chairman, saying:

"Before you are the best athletes in the world, deliberately ignoring the fact that the leading sporting powers in the world were unable to take part because of the American authorities' gross violations of the Olympic charter."

Tass said the atmosphere of the Games and the state of crime that had preceded their opening demonstrated the extreme danger to athletes in Los Angeles.

Concern for the safety of participants was the prime cause cited by Moscow for its withdrawal from the Games, in which it was subsequently joined by most of its allies, including East Germany, one of the



Sam the Eagle parades at the opening ceremonies.

which is not a member of the Warsaw Pact, were widely acclaimed as among the most successful, colorful and nonpolitical in recent Olympic history.

Mr. Reagan said in a television interview Saturday that the world would have benefited if the Soviet Union had sent a team to the Games, "but they're the losers" by their boycott.

Referring to the athletes, Mr. Reagan said, "I bet if we turned some of the problems of international relations over to them, they'd solve them before tomorrow."

Asked if he thought the Russians should have been in attendance, he replied, "I think it would be better for the world if they were, but they are the losers."

Grenada Interim Regime Is Returning Businesses, Land to Private Ownership

By Joseph B. Treaster
New York Times Service

ST. GEORGES, Grenada — The interim government here has quietly begun returning to private ownership businesses that were seized by two earlier regimes.

By last month, interim government officials said, 8 of the 38 state-operated farms had been given back to the original owners. The return of a wide range of other state-run businesses is being studied, they said.

U.S. officials have encouraged this divestiture and say it is important if Grenada is to attract private investors to help it out of its deep economic depression. The U.S. government brought a group of 21 potential American investors to Grenada this year. Many others have come to the island on their own.

As of mid-July, government officials said, more than 50 businesses, including a dozen American-owned, and about 20 Grenadian-owned, have proposed investment projects. One American plans to build a toy factory, they said. Another said he planned to open a frozen seafood business. Several others are interested in building hotels.

There has been little private foreign investment here in more than a decade. Over the years, some businessmen left the island as the two previous governments extended state control, seizing properties and creating new companies.

When U.S. troops invaded last October, after Prime Minister Maurice Bishop was killed in a coup and power was seized by a Marxist military council, 40 percent of the economy was being operated by the government.

In addition to the farms, the government was operating half a dozen hotels and restaurants, two banks and several plants turning out such products as ice cream, fruit drinks, jams and jellies. With Cuban help, it had also developed a fishing company.

Nicholas Brathwaite, the chairman of the nine-member appointed council that is running the country until elections are held later this year, said the government was studying several proposals on how to divest itself of the rest of its businesses.

"It is my view that government should not become too involved in business," Mr. Brathwaite said, adding that he was certain his position was shared by many government members.

"I don't think, from my experience, that government enterprises

usually succeed," he said. "They're not efficient. Most of them are a drain on the public treasury and I don't see why taxpayers should be subsidizing inefficiency. I believe in private sector development and not public sector development."

He said there was no doubt the government would divest itself of most of the properties. He added that it was only "a question of procedures."

In some cases, he and other officials said, the government might lease such properties or contract with private companies to manage them.

It has been proposed that the two state-run banks be combined. The government would retain full ownership, sell the remaining shares publicly and put operations in the hands of an elected board.

Mr. Brathwaite said the eight farms had been returned to their owners almost immediately because they had not demanded compensation for the time the lands were under government control.

"So that was easy," he said. "But where there are demands of payment, the approach has to be different simply because we do not have the money."

Financial experts here say the government was virtually bankrupt at the time of the invasion.

Mr. Brathwaite said he believed the government could "act with a certain amount of speed" in disposing of its hotels. The flagship of the government's hotels is the 180-room Grenada Beach Hotel, a former Holiday Inn, which is now occupied by U.S. troops. It is the largest hotel on the island and, Grenadians say, one of the best.

Officials said the government had received at least five offers in connection with the hotel.

Three of the owned hotels once belonged to a former prime minister, Sir Eric Gairy. When Bishop and others of the leftist New Jewel Movement toppled his government in a coup in 1979, they seized his hotels and some other businesses, including a beauty parlor.

Sir Eric, who is preparing a slate of candidates for the elections this year, has demanded the return of the hotels. Mr. Brathwaite said there were questions about whether Sir Eric acquired the hotels properly. They probably will be tied up in litigation for some time.

In a study prepared under a contract from the U.S. Agency for International Development, Loren L. Parks, a California economist, said the state-run farms lost about a quarter of a million dollars last

year. He advocated divestiture but cautioned that the process would be complicated.

One of the major concerns of many officials here is the likelihood that many farm jobs will be lost as divestiture proceeds. The island already has a high unemployment rate.

Mr. Parks said government farms employed 700 people, about twice the number needed for efficient operation. On those farms, he said, "theft of produce is epidemic," the workday rarely exceeds three or four hours and "it is nearly impossible to fire someone."

According to Western diplomats, some potential American investors said they were drawn to Grenada by a desire to show support for the U.S. intervention. But to many investors, Grenada is a place to get in on the ground floor.

"We couldn't get started as easily in many of the other islands," said an American interested in building a food processing plant. "There are already a lot of people doing business in those places. But this place has not been worked to reach its technical potential. It's sort of virgin land."

Guatemala City — Five countries have agreed to revive the Central American Common Market, according to government ministers from two of the nations. The market was a strong regional trade organization that deteriorated after a brief 1969 war between Honduras and El Salvador.

Economic ministers from Honduras, Guatemala, Nicaragua, Costa Rica and El Salvador agreed late Friday to reactivate the organization's economic and executive councils, the ministers of Guatemala and Costa Rica said.

They said a meeting of the economic council, made up of economic ministers from the market countries, has been set for Aug. 24 in Tegucigalpa, Honduras.

Honduras withdrew from the market after the 1969 war with El Salvador over economic, border and social issues, and the council has not functioned since. Before 1969, the region's common market trade reached more than \$1 billion, Economy Minister Leonel Hernandez Cardona of Guatemala said.

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WORLD BRIEFS

Cosmonauts Back From 13-Day Flight

MOSCOW (AP) — Three Soviet cosmonauts aboard the Soyuz T-12 spacecraft returned to Earth on Sunday after a 13-day mission including work aboard the orbiting Salyut-7 space station, Tass said. Vladimir Dzhanibekov, the mission commander, Svetlana Savitskaya, the flight engineer, and Igor Volk, a researcher, landed in central Kazakhstan just before 5 P.M., the Soviet news agency said. Ms. Savitskaya, 35, made history twice on the mission, becoming the first woman to make two space flights and the first to walk in space.

Libya Announces Military Maneuvers

TRIPOLI, Libya (AP) — Libya has announced that it is carrying out large-scale military maneuvers using live ammunition in and around Tripoli, the capital.

The announcement Saturday by the official JANA news agency followed accusations by Libya that the United States had been carrying out provocative military maneuvers off the Libyan coast in the Gulf of Sidra. Earlier, JANA claimed that 64 U.S. F-14 jet fighters flew over the disputed Gulf of Sidra for several hours on Thursday. It said Libyan jets chased away some of the U.S. planes.

The maneuvers would involve "militarized units that have been trained in using all types of weapons as well as units from the Libyan Arab air force and air defenses," JANA said. It gave no other details.

More U.S. Help for Afghan Rebels

WASHINGTON (WP) — The House Appropriations Committee has approved \$50 million in new covert assistance this year to the rebels fighting the Soviet-backed government in Afghanistan, congressional sources said Friday.

The action, if left intact by the House and the Senate, would raise the total for this year to about \$85 million, according to a source familiar with the appropriation. Unlike the CIA's involvement in Nicaragua, the CIA-backed effort in Afghanistan has wide bipartisan support in Congress. The Reagan administration requested the extra assistance to offset rebel losses of equipment during recent Soviet attacks in the Panjshir Valley north of Kabul.

Bonn to Probe How Iraq Uses Plant

BONN (Reuters) — Chancellor Helmut Kohl of West Germany has called for an investigation into the possibility that Iraq could use a German-supplied pesticide manufacturing plant to produce chemical weapons, a government spokesman said Sunday.

He said the cabinet discussed the issue after being told by the United States that Iraq could adapt the plant to produce poison gas for use in its war with Iran. Mr. Kohl said West German experts could go to Iraq if allowed.

The firm which supplied the plant, being assembled near Baghdad, said poison gas production could not be completely ruled out. Iraq has denied reports that it is using chemical weapons against Iran.

Liberals Ask Self-Rule for Falklands

LONDON (Reuters) — The 1,800 inhabitants of the Falkland Islands should be granted internal self-government under the Argentine flag, a committee of Britain's opposition Liberal Party urged Sunday.

The party's Latin American affairs committee said the islands had been effectively under British military occupation since the 1982 war, and urged a change in what it called Prime Minister Margaret Thatcher's "Fortress Falklands" policy.

The report published by the committee does not represent party policy, but sources said it could be adopted later this year.

Sudan Arrests Alleged Terrorists

KHARTOUM, Sudan (UPI) — Security authorities have arrested four Sudanese nationals suspected of being sent by Libya to carry out assassinations and subversive actions, the Sudan News Agency reported.

Quoting security officials, the agency said Saturday that the group planned to assassinate President Gaafar Nimeiri and First Vice President Omar Tayeb and blow up the U.S. Embassy, the headquarters of the Libyan opposition and other economic and military installations.

The agency said the four confessed they were members of the Libyan-backed Sudanese People's Socialist Front, which is based in Tripoli. Officials told the agency that the suspects had confessed that they had been trained by Libyan, Iranian and dissident Palestinian officers.

Study Predicts Need for U.S. Draft

WASHINGTON — The Reagan administration's plans to expand the armed forces and deploy more highly sophisticated weapons could make the resumption of a peacetime draft necessary by the 1990s, a study by the Brookings Institution, a public policy research center, said Sunday.

The report said that the all-volunteer military services are likely to become undermanned because of a declining number of qualified recruits and a greater demand for highly skilled personnel to deal with more advanced weapons.

Unless the American people can be counted on to support peacetime conscription, the study concluded, "it would be risky either to expand the size of the armed forces or to develop increasingly complicated weapon systems."

Injured Spanish Basque Leader Dies

BORDEAUX (Reuters) — A suspected leader of the Spanish Basque separatist movement ETA (Basque Homeland and Liberty) died Saturday in a hospital here from serious burns sustained in a bomb attack in France last month, the hospital announced Sunday.

Thomas Perez Revilla, 48, believed to have been one of the dozen top leaders of ETA, was one of two men seriously wounded when a bomb concealed in a motorcycle exploded on June 15 outside a bar in Biarritz. Responsibility for the attack was claimed by the rightist Anti-Terrorist Liberation Group, which claims to have killed eight Spanish Basques in France in a "war of revenge."

Neo-Gaullists Oppose Mitterrand Plan

PARIS (Reuters) — The French Senate, which is dominated by the opposition, appears to be on a collision course with President Francois Mitterrand after the neo-Gaullist Rally for the Republic Party announced that it would block his plans for a referendum.

Charles Pasqua, the RPR's chairman in the Senate, said Friday that he would propose that the upper house reject the draft referendum. The other main opposition group in the Senate, the center-right French Union for Democracy, or UDF group, has already taken a similar stand.

Seeking to disprove opposition claims that Socialist policies are a threat to freedom, Mr. Mitterrand has proposed that the people be consulted on a change in the constitution to allow referendums on issues involving personal liberties. However, the draft referendum requires the agreement of both the Senate and the Socialist-dominated National Assembly. The RPR decision Sunday threatened to frustrate Mr. Mitterrand's project.

For the Record

Britain has hired a New York lawyer, Martin Galvin, a spokesman for the pro-Irish Republican Army Irish Northern Aid Committee, from visiting Ulster in August. British officials said on Saturday. A government spokesman said Home Secretary Leon Brittan had hired Mr. Galvin "on the grounds his exclusion is conducive to the public good." (AP)

The Communist Party leaders of Romania and France have called for a halt to deployment of American and Soviet missiles in Europe. The statement came in a communiqué following a meeting of President Nicolae Ceausescu and Georges Marchais, secretary-general of the French Communist Party, on Friday. (AP)

A dancer in the Soviet Bolshoi ballet, Yekaterina Maximova, 45, was found Sunday with her wrists cut after an apparent suicide attempt, the Italian news agency ANSA reported. (Reuters)

Quietly, Albania Allows An Opening in Its Wall

(Continued from Page 1)

compromise human rights or interfere with the sovereign rights of other nations," said Niko Mitrusi, head of the foreign department of the Ministry of Culture, Education and Sport.

"Nor are we isolated, as you always seem to think in the West," he said, noting that "we have 100 embassies around the world."

But there is no Albanian embassy in the United States. That country, according to Albania, wants only to pursue its own selfish interests.

There is no embassy in the Soviet Union. Ties with the Russians were swiftly severed in 1961 after Nikita S. Khrushchev rejected Stalin, flinched with the West and cast a greedy eye on Albania's newly discovered mineral riches.

And the country's fraternal ties to China lasted only until Mao made overtures to the capitalists and shook Richard M. Nixon's hand.

Albanian diplomacy is refreshingly straightforward and frequently very basic. The country has no diplomatic relations with Britain, for example, at least in part because the British refuse to give back some crown jewels they made away with during World War II.

If, as it claims, Albania is not isolated, it is certainly protective of its frontiers. Its countryside is dotted with concrete bunkers and its military alert for the slightest intrusion.

On June 18, according to news reports, Albanian troops shot at two employees of the Club Mediterranee who were on a fishing trip from the island of Corfu. Several days later, the body of one of the employees, Jean-Marie Masselin, was found by Greek fishermen near the Albanian coast. He had been shot in the head.

Albanian officials denied shooting anyone. Mr. Mitrusi said, "We

U.S. Indicts A Sandinist In Drug Case

By Leslie Maitland Werner
New York Times Service

WASHINGTON — A federal grand jury in Miami Friday indicted an aide to Nicaragua's minister of the interior along with 10 other men on charges of drug trafficking stemming from an undercover operation.

Six of the defendants, including the Nicaraguan official, Federico Vaughan, were already charged in a criminal complaint filed July 18 in Florida.

Three of those charged have been identified by the Justice Department as top-level traffickers in Colombian cocaine — Carlos Lehder Rivas, Pablo Escobar Gaviria and Jorge Ochoa.

Mr. Lehder is a fugitive from a 1981 indictment for cocaine trafficking brought against him in Florida. He has been linked with Robert L. Vesco, a fugitive from the United States, and with narcotics trafficking in the Bahamas.

The complaint was accompanied by the report testimony of an agent of the Federal Drug Enforcement Administration that accused the Nicaraguan government of direct involvement in cocaine trafficking between South American countries and the United States. Administration officials, apparently as part of their campaign against the Sandinist government, drew the attention of reporters to those accusations.

According to Friday's indictment, Mr. Vaughan, who is not in the United States, provided storage facilities in Nicaragua for cocaine and had cocaine loaded onto a plane to be sent to Florida. The affidavit said Mr. Vaughan had worked directly with an informer for the drug agency, who took pictures of Mr. Vaughan and Mr. Escobar helping load cocaine on a plane.

According to the indictment, 1,452 pounds (660 kilograms) of cocaine was flown into the United States from Nicaragua and \$1.5 million was delivered to Mr. Vaughan and Mr. Escobar. The indictment says they then asked the pilot to deliver 2,200 pounds of cocaine from Nicaragua to the United States.

Religion was eliminated in 1967. There is only one political party. Albanians are not allowed to own private cars. Instead, they rely on horses, motorcycles and bicycles.

No one seems in a hurry to join the computer age.

TUESDAY: In the countryside,



Daniel Ortega Saavedra, head of the Sandinist junta in Nicaragua and a presidential candidate, reports to an election center to register to vote in the Nov. 4 ballot.

CLA-Backed Rebels Said to Kill 2 Nicaragua Vote Officials

Compiled by Our Staff From Dispatches

MANAGUA — U.S.-financed rebels have ambushed and killed the presidents of two voter registration boards, according to a senior Nicaraguan election official.

The two men were killed Friday, the opening day of voter registration for Nicaragua's elections this fall

AMERICAN TOPICS

Greeting Tax Agents With Guns Won't Do

When three agents of the Internal Revenue Service called on Jerome Przybyla of Anchorage, Alaska, last year to seize his property in payment of back taxes, he was waiting with a gun and ordered them to leave. He justified his action by quoting from one of the tax agency's own pamphlets, which advises: "You have the right to refuse to permit collection personnel to enter upon your private property when the purpose of the visit is to conduct a seizure of your assets."

But the 9th U.S. Circuit Court of Appeals shot down Mr. Przybyla's argument last Tuesday. "Nothing in the IRS pamphlet implies that a taxpayer could use a weapon to enforce his request," the court said.

The court failed to rule whether Mr. Przybyla had a legal right to order the agents to leave. But even if such a right existed, "use of a weapon was unlawful," the court said.

The court upheld Mr. Przybyla's conviction of assaulting an IRS agent and impeding the administration of tax laws.

Whites Not Allowed To Adopt Black Child

A white Maryland couple has gone to court in their quest to adopt a retarded black child who state authorities insist would be better off with a family of his own race.

Lawyers for James and Jackie Haas say that the state policy that makes race "a paramount factor" in adoptions is unconstitutional. But the Maryland Department of Human Resources says it is not discriminatory to look for a black family first.

The state does not rule out interracial adoptions, but officials say they are required to "attempt to protect a child's

cultural heritage" by seeking to place a child with a family of the same race whenever possible. The state has been looking for eight months for a black home for the 3-year-old boy, who also has cerebral palsy and hearing and vision problems.

The National Association of Black Social Workers opposes the placement of black children in white homes for any reason. The National Committee for Adoption in Washington agrees with the concept of preserving a child's racial and cultural heritage, but says it is unfair to leave black children waiting in institutions when there are white families ready to adopt them.

Pay at World Bank Raises Congress's Ire

A World Bank proposal to increase salaries by 5 percent for its 6,000 employees is raising a fury in Congress and the Reagan administration.

The United States position, a Reagan administration official said, is that the proposed pay increase is "not justified" and "incongruous" against demands for pay freezes and pay cuts in many developing countries. World Bank officials say they are competing with the private sector for professional talent and have to pay professional wages.

Pay and fringe benefits at the bank are comparable to those at its companion institution, the International Monetary Fund, both are already seen as overly generous. Representative Andrew Jacobs Jr., Democrat of Indiana, has said that more than 500 of the fund's 1,650 staff members make more than \$67,500 a year. The U.S. House of Representatives voted last November to withhold the U.S. contribution to the fund if it did not cap its employees' salaries at \$67,500, but the measure did not survive a House-Senate conference. The World Bank has already

drawn criticism by erecting a new \$96 million office building on one of the capital's most valuable sites.

Notes on People

Surveying the toughest bosses in America, Fortune magazine says the most hard-nosed of all may be John Welch Jr., chairman of the General Electric Co. Mr. Welch, who earned the nickname "Neutron Jack" by announcing the closing of 25 plants, got more than twice as many nominations as the runners-up. "According to former employees, Welch conducts meetings so aggressively that people tremble," the magazine reports. Other tough bosses include William K. Joyce, head of Burlington Industries Inc., whom Fortune terms "autocratic and aloof," and Andrew Grove, a "connoisseur of confrontation."

All printed up with no place to go, thousands of Kellogg's Corn Flakes boxes feature pictures of the former Miss America, Vanessa Williams. The promotional boxes were to be distributed at a convention of the Urban League, a black civil rights organization, as part of a company public relations program. The packages are "no longer current," says the company. Miss Williams resigned following Penthouse magazine's publication of nude photos showing her and another woman in sexual poses.

The Chicago Board of Education has voted against renewing the contract of Dr. Renee B. Love, the city's first black superintendent. Dr. Love, whose \$120,000 salary makes her the highest paid public official in Illinois, characterized the move as "political" and accused several officials, including Mayor Harold Washington, of betraying her. She said many people had not forgiven her for remaining neutral in last year's heated mayoral campaign.

Republican Strategy: Put Democrats on the Spot

By Steven V. Roberts

WASHINGTON — Republicans in Congress are planning an aggressive effort in the coming weeks to promote the legislative agenda outlined by President Ronald Reagan at his news conference Tuesday and in political advertisements being broadcast across the country.

One admitted aim of the strategy is to embarrass the Democrats and force them to make potentially unpopular votes.

Before the November election, the Republicans say, they will try to force votes on such politically sensitive issues as a constitutional amendment requiring a balanced budget and tax credits to parents of parochial school students.

"The fact of the matter is, we want to put people on record," said Representative Trent Lott of Mississippi, the Republican whip.

The congressional campaign, Mr. Lott said, is being closely coordinated with the White House and Mr. Reagan's re-election effort.

Democratic leaders said the Republican effort signaled the president's team was nervous about the November elections.

"It means we scored in San Francisco," said Representative Tony Coelho of California, chairman of the Democratic Congressional Campaign Committee. "They wouldn't be going through this effort if we hadn't done so well at the convention."

Burford Says Her New Job Lacks Flavor

WASHINGTON — Anne M. Burford, the former head of the Environmental Protection Agency, described her appointment to head a national advisory committee on marine and atmospheric issues as "a nothing-burger," with virtually no functions or serious work.

"They meet three times a year. They don't do anything. It's a joke," she told an audience in Vail, Colorado, on Friday night.

Her appointment was widely criticized and led to a 74-to-19 vote in the Republican-controlled Senate calling for the withdrawal of her appointment.

Mrs. Burford, in remarks reported in The Denver Post, also said that the District of Columbia is "too small to be a state but too large to be an asylum for the mentally deranged."

But the Democrats also acknowledged the shrewdness behind the Republican effort and were already planning their counterattack. Last week, for instance, they forced a Senate vote on a resolution urging Mr. Reagan to withdraw the nomination of Anne M. Burford as chairman of a presidential advisory committee.

The resolution, which passed easily, placed Republicans in the uncomfortable position of either abandoning the president or voting for a woman whose record as head of the Environmental Protection Agency made her an enemy of many voters who favor stricter enforcement of anti-pollution statutes. She was forced to resign last year.

There was a similar situation after Mr. Reagan said at the news conference that he favored an increase in Social Security benefits, even if inflation rates were too low to require it. On Thursday, Democrats rushed an identical proposal through the Senate.

Another political scramble came Thursday when House Republicans succeeded in forcing a vote on a proposal that would have punished school districts that barred voluntary prayer. Democrats reluctantly voted the measure down but then tried to cut their political losses by passing an alternative proposal endorsing a moment of silent prayer in public schools.

The message Mr. Reagan used at the beginning of his news conference is being repeated in a television commercial showing the president seated in the Oval Office. In it, Mr. Reagan calls for Congress to pass six measures related to work, thrift and religious values.

Republican leaders said that by pushing these measures to a vote, they cannot lose politically. If the Democrats controlling the House block consideration, they risk being labeled obstructionist. If the leadership allows a vote, many Democrats, if they vote against the measures, could risk offending important groups of constituents.

The first measure, a constitutional amendment to require a balanced budget, came before the House in the last session and was defeated. Democrats emphasize that Mr. Reagan has not proposed a balanced budget since taking office. House Republicans are gathering signatures to force a floor vote, and Democrats expect the showdown to come in September.

A measure on tuition tax credits has already been defeated by the Republican-controlled Senate, and Robert J. Dole of Kansas, a Republican who is chairman of the Finance Committee, says it has no chance of being revived. Democrats note that tax credits would be very expensive but they concede that the issue appeals to some voters, particularly Roman Catholics.

A measure on individual retirement accounts for nonworking spouses would allow spouses without income, most of them women, to put money away and gain the tax advantages of individual retirement accounts. It passed the Senate as part of the spring tax bill but was dropped in conference with the House on the ground that it would cost too much. Republicans hope the issue will appeal to women voters. Democrats say it would only help relatively wealthy women.

Under a plan to create urban enterprise zones, developers would

get tax credits for investing in decaying urban areas. This plan was also dropped in the tax conference because of its cost. But it is popular with urban legislators and free-enterprise Republicans and could get revived.

The final plan backed by Mr. Reagan was a measure granting student religious groups and other student organizations equal access to use school grounds for meetings. It was adopted in the House overwhelmingly the day after Mr. Reagan's news conference and sent to his desk.



In a crowded gymnasium, Tennesseans served weekend sentences for drunken driving.

Tennesseans Line Up for Jail Under Drunken Driving Law

NASHVILLE, Tennessee — More than 150 persons reported to jail here Friday evening to serve weekend sentences under Tennessee's toughened law against driving while intoxicated.

At times 25 to 30 men stood in line to go to jail, which was a converted gymnasium. At 7:30 A.M. Saturday, the men climbed onto seven trucks and were taken

to pick up trash along roadways. Four women, also serving their sentences, did cleanup work around the jail complex. In addition to 48 hours in jail, they all surrendered their driver's license for a year, but many received limited permits to commute to work or school.

In a similar mass jailing in June, 260 served weekend sentences. "We are going to do this every month for the next six

months to see if we can cut the backlog," which at one time reached 1,100, said Sheriff Lafayette Thomas. Many offenders have been waiting six months. Under a 1983 Tennessee drunken driving law, first offenders receive a 48-hour sentence and a \$50 fine. Second offenders are sentenced to 45 days in jail and pay a \$500 fine. Third offenders serve 100 days and pay \$1,000.

Canadian Church Asked to Declare Apartheid Heresy

TORONTO — The United Church of Canada, the country's largest Protestant denomination, will be asked to declare at its General Council meeting in August that racial segregation is sinful and its theological justification a heresy.

A report by the church's world outreach division, prepared for the Aug. 7-16 meeting in Morden, Manitoba, says that apartheid, which is sanctioned by the white

Dutch Reformed Church in South Africa, is an issue of faith that precludes neutrality. The report also defends the United Church's support for groups that use violence to oppose racial segregation.

"We are right to be deeply troubled about violence wherever it occurs. But it is inconsistent and hypocritical of us to demand that the South African poor and persecuted must remain defenseless and 'unilaterally disarmed' in the face of the institutionalized violence which

persistently diminishes their humanity," the report said. If the report and accompanying resolutions are endorsed, the United Church, which has an active membership of 728,000 members, will be following the example of the World Alliance of Reformed Churches. And last August, the assembly of the World Council of Churches, meeting in Vancouver, condemned apartheid and asserted that any theology that condoned it was heretical.

Hinckley Asks Court Review of His Hospital Confinement

WASHINGTON — John W. Hinckley Jr., who shot and wounded President Ronald Reagan in March 1981, has asked the court to hold a hearing on his confinement. "I am ready now," Mr. Hinckley told a judge Friday in U.S. District Court. Courtroom observers un-

derstood Mr. Hinckley to be seeking complete freedom from St. Elizabeths Hospital, where he has been held since June 1982 when a jury found him not guilty by reason of insanity in the shootings of Mr. Reagan and three other men. Under a special act of Congress applicable only in the District of

Columbia, Mr. Hinckley may be released if he can prove he is no longer dangerous to himself or others. But Vincent J. Fuller, his lawyer, said after the hearing that he believed Mr. Hinckley would petition only for "some limited, supervised grounds privilege" at the hospital.

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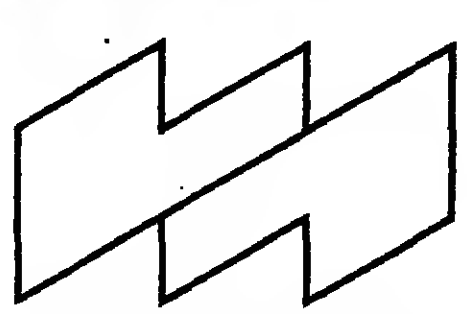
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No Vienna Talks After All?

It seems doubtful, at the moment, that the United States and the Soviet Union will open talks on space weapons in Vienna in September, as the Kremlin proposed. The immediate difficulty is that Moscow has wanted to dictate the agenda and exclude strategic weapons, the main U.S. concern. But this may not be such a bad outcome—for the time being. Space talks are an idea whose time has not yet come.

We say this not out of indifference to arms control in space, or a dedication to space weaponry. Quite the contrary. But let us all come down to Earth on this one. Soviet-American relations are awful. Arms control in all other forums is stalemate. The United States is in a presidential campaign and the Soviet Union in a succession struggle. Who seriously contends that a new negotiation, on a matter that has proved exceptionally resistant to arms control in the past, would produce more than frustration? This needs to be absorbed by those who have been urging President Reagan hardest to go to Vienna—the same people, by and large, who otherwise say they have no confidence in him as an arms controller.

What is or was behind the push to Vienna? On the Soviet side, no serious proposals are in view. All that is visible is the purpose of mobilizing American domestic opposition to the testing of anti-satellite weapons and to research on missile defense in space.

On the American side, the signs are scarcely

more promising. The Kremlin's invitation caught the Reagan administration between a reluctance to enter a forum in which its space weapons options might be limited (but a forum, too, in which it might somehow draw the Soviets back into the missile talks they walked out of last year) and its election-year eagerness to show itself on the right side of the peace issue. In a way, the Russians have done Mr. Reagan two favors, first by inviting him and revalidating his credentials as a peace-seeker, and then by saying that talks are "impossible," thereby sparing him the need to deliver.

In short, the idea of a Vienna meeting on space weapons may never have been more than an attractive ruse meant to let both governments serve interests that have nothing to do with negotiating an agreement—Moscow's interest in slowing American space programs, and Washington's in looking conciliatory.

As we have said before, the United States should move very slowly and cautiously in its military work in space and not pre-empt the possibility of talks on limits at a more propitious time. Congress may have to carry the burden of this requirement. For such talks to have a reasonable chance of success, there will have to be a change in superpower relations, and that will take a change of leadership, judgment or circumstance on one side or the other, probably both. It hasn't happened yet.

—THE WASHINGTON POST.

Lebanon: 'Helpful' Syria

The U.S. State Department's man for the Middle East made a contribution to public education the other day. Richard Murphy observed that Syria was now playing a "helpful" role in Lebanon. Some congressmen expressed shock that an official should say a good word about a country which had been rightly blamed in the past for obstructing U.S. policy in Lebanon and contributing to the death of U.S. marines. But it is so. Syria is the strongest single authority in Lebanon, a country with a government whose writ, very weak, scarcely extends beyond Beirut. Americans had better get used to its role, and hope it is played well.

Syria, of course, is not respecting Lebanon's sovereignty. It never has. It considers Lebanon its ward. This proprietary presumption, and not any feeling for one Lebanese group or another, underlies Syria's objection to any role in Lebanon for other countries—Israel and the United States, for instance. Damascus used its muscle to kill the American-sponsored Israeli-Lebanese agreement of 1983 precisely because it was not made in Damascus.

Once the United States withdrew from Lebanon, Syria moved to assert the influence whose fragile but benign effects are becoming

evident in Beirut now. A made-in-Damascus Lebanese "national unity government" is starting to put into effect a security plan. Syrian military forces have been sitting hard on errant Lebanese militias. It is not the flowering of Lebanese sovereignty, but it beats the killing of the last nine years.

Not everywhere in Lebanon is Damascus being "helpful." At Syrian bidding, the Lebanese government has closed the unofficial embassy, called a liaison office, that the Israelis had maintained north of Beirut even after the troop withdrawal accord was abrogated. Thus has Syria deprived the Lebanese government of the single channel by which it kept a hand in daily affairs in southern Lebanon and discussed security arrangements with the Israelis.

No doubt Syria feels that it is further demonstrating its control in Lebanon and adding to Israel's burdens of occupation. It is also making daily life harder for the people of southern Lebanon, and increasing the likelihood that further Israeli withdrawal—when it comes, as it surely will—will be conducted in cooperation with local Lebanese elements, not with the central government.

—THE WASHINGTON POST.

The Last Non-Olympics?

"I declare open the Olympic Games of Los Angeles," President Reagan proclaimed. But let these be the last of the non-Olympics.

Vigorous competition and soaring achievements make any Olympics exhilarating. The ideal is inspiring: a universal contest, in one place at one time, among amateur athletes deciding who is best in the world. But that ideal has not been realized at any Olympics in the last quarter-century. Amateurism died when the Russians came in. Universality ended with boycotts. The young men and women who take home the gold from Los Angeles will never know whether they were really best.

Of all the impediments, the two most crippling have been money and politics.

About money: Normally, all Olympic athletes are amateurs in fact, not all are. And the faint dividing line between amateurs and professionals tends only to corrupt.

There is much hypocritical finger-pointing at Communist governments that rather openly subsidize their athletes. But plenty of non-Communist nations employ tawdry hidden subsidy. Commercial promotions and outright gifts put millions of dollars into the pockets of supposed amateurs. As William Simon, head of the U.S. Olympic Committee, has said, this

issue is further confused by inconsistent rules for different sports. Let everyone compete. About politics: There is no sure way to prevent boycotts, but the jingo trappings that encourage them can be reduced. Why not abolish parades of national flags and the flag-raising and anthem for each winner? There will always be national teams for team sports, but why not dress and treat the athletes like the distinguished individuals they are?

The boycotts have finally stirred the International Olympic Committee to think about deterrents, like banning boycotters from returning the next time. But it is doubtful that such a ban would deter major nations, which are so eagerly wanted back. The Olympic spirit will best be served by choosing a permanent site. Already there is risk of another Soviet boycott in 1988, because the Games will be in South Korea. And China, also a potential boycott target, may want to be host in 2000. The answer is to accept Greece's offer of a truly international enclave near Mount Olympus. If that is not workable, try Switzerland.

The Olympics should be a true test of athletic excellence. Let neither false amateurism nor misplaced nationalism stand in the way.

—THE NEW YORK TIMES.

Other Opinion

Oil: This Bad News Is Fine

There is much talk about a third oil crisis. Iran is said to be pulling out of OPEC. Nigeria is once again threatening to break ranks. The money men fear a renewed financial crisis among countries such as Mexico which depend on oil revenues to repay debts. We indeed live on a knife's edge. Two oil crises (1973 and 1979) showed the price of crude oil up 30-fold

—the worst blow to the world economy since World War II. Only now are we clawing our way back from deep recession and rocketing inflation. If high oil prices are bad news, how come lower prices are also bad news? The money men fear a renewed financial crisis among countries such as Mexico which depend on oil revenues to repay debts. We indeed live on a knife's edge. Two oil crises (1973 and 1979) showed the price of crude oil up 30-fold

—The Sunday Times (London).

FROM OUR JULY 30 PAGES, 75 AND 50 YEARS AGO

1909: Double Trouble for Spain

PARIS — A state of siege proclaimed by the [Spanish] Government, plus the efforts of revolutionaries in tearing up railways and destroying telegraph and telephone wires, constitutes a handicap on the obtaining of intelligence. That Spain has suffered reverses in Morocco is beyond doubt. General Martinis is on the defensive in Melilla, and the Spanish losses have been enormous. This alone would be a national disaster. It has, however, been complicated by a revolutionary outbreak in the peninsula. The condition of Spanish parties—Carlism in the north, Republicanism in Catalonia, Anarchism in Barcelona and other labor centers—creates a situation in which it is only too easy to exploit the national reverses.

1934: A New Export-Import Bank

WASHINGTON — Under authorization from President Roosevelt, the second Export and Import Bank of Washington will throw open its credit facilities to American trade [on July 30]. The bank will deal with all countries of the world with the exception of Russia. George N. Peek, who heads the bank, announced that its financial aid machinery would be made available to American manufacturers, importers and exporters and in some cases the bank would "share credit risks." He said that although the bank was working to stimulate foreign trade, it would not throw its money around unprotected. "I believe in assisting our foreign trade," he said, "but I also believe in making sure that we get paid for it."

Our Faculty for Outrage Has Atrophied

By Yorick Blumenfeld

NEW YORK — Dead ends force one to look again, to retrace one's steps. I feel that for the past five years I have been failing to notice the markers. But since I was headed toward an almost invisible impasse, how could I have known that moral torpor is one of the principal obstacles in the United States, as well as in Britain, France and the Soviet Union?

All too many people—that is, a majority—have built up resistance to hearing more about how the excess of thermonuclear stockpiles threatens survival. These people are so busy paying their bills, taking vacations and seeking to provide for the education of their children that they can't stand being confronted with major nuclear questions. My sense of outrage is regarded as an inappropriate reaction.

I often note that listeners are irritated by the expression of such moral indignation. Being incensed is not fashionable; the potential for outrage has been dulled. Or has it been snuffed out?

The carnage of the World War I trench lines, Nazi concentration camps, Stalinist trials, Hiroshima and Nagasaki, napalming in Vietnam and Afghanistan and the daily diet of crime on television have eroded our capacity for indignation.

Part of the problem with the nuclear freeze movement in America and the Campaign for Nuclear Disarmament in Britain is that neither can awaken voters to a pitch of moral outrage. Even a widely shown film like "The Day After" failed, despite enormous advance publicity, to arouse any but the most transient reactions.

I was agonizing over this situation recently when a friend put the question of human survival and morality in another context. About 15 million children died last year from disease and malnutrition; hundreds of thousands of kids under 5 are interned in camps in Thailand, Pakistan and Sudan; in Brazil alone, more than 10 million children under 16 have been abandoned by their parents. Is there any outrage over this in Washington, in Paris, in Moscow? No.

There are the usual palliatives: A bit of current-

cy is handed out to relief organizations. The fact is that 15 million children will die again this year. And next. And we all could die tomorrow.

Nothing seems capable of shocking us.

This leads me to wonder whether the survival of the human species merits such priority.

James Agee once wrote that the potentiality of the human race is in every child who is born. I suggest that for every child that we let die or rot in an internment camp, a part of our humanity must die as well.

Leaders in the Kremlin, on Downing Street and in the White House tirelessly propagandize about the righteousness of their "cause." Yet they are unable to surmount their moral myopia to the extent of saving the innocent, who die in spiritual terms, as such leadership begets world.

An executive decision to go ahead with the stockpiling of ever more bargaining chips such as MX missiles or SS-20s is also a decision not to divert those dollars and rubles to save a baby's life. In the balance, armaments always win. What, therefore, is so deserving in the human spirit that it should survive?

It seems logical that if people can't become incensed about the fate of these millions of children, there isn't much chance to get them excited about the probabilities of a forthcoming nuclear holocaust. Genuine caring is indivisible. If life is something to be revered, you will not voluntarily allow a baby to die, nor appropriate billions for relatively useless forms of defense.

East is every bit as responsible for this world in the spirit as West. The world Communist movement has failed as a moral force. Its lack of idealism and its inability to create a new kind of just and fair society are manifest. But imagine how different the globe would be if, instead of bombing Afghanistan, the Politburo decided to spend that money on the world's children?

The East-West competition would rapidly

change. Which side can best improve the lot of mankind? The race to the moon in the 1960s, while of dubious social utility, was far better than today's race for satellite weaponry.

Until we get our priorities right, the continuing debates about human survival will be futile. Until people can express their outrage, instead of retreating under such protective umbrellas as "there is nothing I can do about it anyway," no real progress is possible on any front. Collectively, we are marching into the invisible dead end.

The writer, a novelist in Cambridge, England, contributed this comment to The New York Times.



'Gotta have bargaining chips.'

To Stop the Arms Race, First Plan for Conversion

By Seymour Melman

SOUTH WELFLEET, Massachusetts—An attempt to freeze the arms race would find economic roadblocks in the way. A path around the roadblocks is available. It should be a central focus in the American presidential campaign.

A mutual halt in the production of nuclear weapons, with their attendant planes and missiles, would cancel 300,000 American jobs and cut the revenues and profits of several hundred major firms. Similar disruption could be expected in the economy of the Soviet Union.

Both governments face influential interest groups that routinely fight any moves to diminish centralized managerial control over military industry. These groups oppose any planning for conversion from a military to a civilian economy. They can be expected to marshal fears of economic loss among the privileged occupations of military industry.

Such fears are aroused by the prospect of reversing the arms race, especially when there are no concrete plans to replace military with civilian production.

These barriers to arms reduction reflect a failure in both countries to plan for conversion of military industry, bases and laboratories.

Until now, the conversion factor has been bypassed in domestic and international discussions of disarmament and arms control. The

common litany is that attention to economic repercussions should follow political agreement. But this ignores the political consequences of economic fears and the one-to-two-year lead time that is needed for conversion planning.

In the last two years, an increasing number of politically concerned Westerners, including many unionists, have become concerned about the issue. A conference on economic conversion, held at Boston College last month, drew 700 participants from the United States, Western Europe and Japan.

In addition, a U.S.-Soviet process for addressing economic conversion problems was set in motion last month by a symposium in Moscow on conversion from a military to a civilian economy. Sponsored by the American Council of Learned Societies and the Soviet Academy of Sciences, 10 American and 10 Soviet economists and engineers exchanged ideas on topics including requirements for converting management and factories; centralization vs. decentralization for planning economic (especially industrial) conversion; problems of planning and scheduling large new civilian capital investments; occupational retraining for managers, engineers and production workers;

conversion of military research and development; the consequences of conversion for productivity.

The Moscow symposium had to confront ideological barriers spawned by conventional wisdom. For example: No conversion planning is needed, since the market (or the State Planning Committee) can handle all necessary adjustments; there is no important conversion issue because the military uses only a small part of the total labor force (but a large proportion of engineers and scientists); military goods are only a small part of all money-valued goods (but a large part of capital resources); military industry's managers and engineers are like those in civilian enterprise.

While such preconceptions were not altogether overcome, some mutual understanding was reached. It was illuminating to learn that when several firms that serve the Soviet military make "washing machines," their products cost twice as much as the same product from normal suppliers. Again, obvious to market conditions, a group of Soviet weapons producers all chose to make the same civilian glass product and flooded a regional market.

The president's speech with the well known characteristics of American military industry, it is plain

that a trained incompetence to perform soundly in the civilian economy is not a Western monopoly but a common property of military economies whose personnel have not been occupationally re-educated.

Neither government has any official responsible for conversion planning. But in the U.S. Congress, far-sighted members have proposed laws to institutionalize this function. The latest bill, sponsored by Representative Ted Weiss, Democrat of New York, would mandate alternative-use committees in every factory, laboratory and base that serves the military. The resulting blueprints for civilian use of people and facilities would make reversal of the arms race an economic opportunity rather than a penalty.

A Russian translation of the bill was distributed at the Moscow symposium—whose co-chairmen were Dr. Ivan Ivanov, deputy director of the Institute of World Economy and International Relations, and L.

If the Democrats or the Republicans wish to offer a new route out of the war-peace rut, they will have to address the conversion factor.

The writer is professor of industrial engineering at Columbia University and co-chairman of SANE, which seeks reversal of the arms race and planning for conversion. He wrote this for The New York Times.

What Reagan Needs Is an Economic Spokesman

By Paul Craig Roberts

WASHINGTON — The Reagan administration is probably the first in American history that terrifies the financial markets with good economic news. When it announced that the economy had created 460,000 jobs in June, bringing unemployment down from 7.5 to 7.1 percent in a single month, the financial markets trembled. Normally, investors welcome employment gains as a sign that the recovery is continuing. In the present recovery, however, investors sell when they hear good news.

Real economic growth is way up, employment is growing at a record rate, deficits are declining and inflation is way down and continuing to

decelerate. The economy has not been this healthy in 20 years, yet the financial markets are pessimistic. What is the explanation?

Part of the problem is that too many Wall Street gurus predicted the opposite and are not pleased with what the economy has done to their reputations. They painted themselves into a corner where good news is not welcome and is, therefore, muffled rather than echoed.

But the main problem is President Reagan himself. He is unique in ap-

pointing to high office critics of his economic policy instead of spokesmen in his behalf. With the exception of Treasury Secretary Donald Regan, the president has no spokesman for his policy, and Secretary Regan's efforts are in their fourth year of being continually undercut by his peers in the administration.

Normally, the chairman of the Council of Economic Advisers is a spokesman for the president's policy, but, as economist Paul A. Samuelson recently noted, Mr. Regan's chairman, Martin Feldstein, "carried to a new pitch the practice of undercutting in public the thrust of one's own administration."

The president gets no help from his party. The Senate Republican leadership does not contain a single spokesman for his economic policy. Indeed, they are all critics, as are senior members of the White House staff. As a result, there has been an information debacle. Not only have the president's opponents controlled explanation of his policy, they have also submitted disinformation for fact.

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A Change Of System For Israel

By Flora Lewis

LOS ANGELES—Above all, Israel's elections have revealed the depth of division in the country. The Jewish state stood before the most important crossroads of its short history, the verdict was indecision.

A great many factors were involved. In unforeseen ways, America also contributed to an impasse that can only complicate U.S. efforts to help bring peace in the Middle East. One such factor was the irony of well-intentioned political theory.

In search of a perfect democracy, the founders of Israel established a political system based on national proportional representation. In the 1920s and '30s, democratic socialists, watching the rise of mass support for totalitarianism, urged proportional representation to protect minorities.

There were advocates in the European left, but among the most forceful advocates were the Progressives in Minnesota and Wisconsin. When Golda Myerson, later to become Golda Meir, was growing up in Milwaukee, election by proportional representation to a single legislative chamber was hailed as the most advanced democratic structure.

Israel adopted it with no limits, not even regional constituencies, except to require 1 percent of the total vote to win a seat. The immediate result was a proliferation of parties. No one has ever won a majority. Coalition government is inevitable.

The kind of single-interest pressure groups that can force compromise before elections in the United States emerged with the balance of power after elections in Israel. That fragmented opinion and made dealing with major issues more difficult.

At the same time, it reinforced the party apparatus against the ordinary voter's will. Israelis cannot select a candidate, only a party list, and only the party itself can decide who comes where on the list and therefore has the chance of a seat. That, too, encourages lots of little parties to accommodate independent ambitions.

It is unlikely that Meir Kahane could have won a place in the Knesset under any other system. His extremist supporters were scattered around the country, nowhere a majority.

Rabbi Kahane and a disproportionate number of his disciples are also American exports. It is puzzling why the American Jewish community, which sent the most modern, highly skilled migrants to Israel in the early days, now contributes so many extremists.

Rabbi Kahane's avowed goal is to expel all Arabs. He doesn't openly call for driving them out by force, but the message is implicit. His followers understand. The support they find in the United States is even more disturbing. No doubt it is marginal, a small minority as in Israel, but it tends to intimidate reasonable people with its charges of less than full sympathy for Israel's cause.

A campaign in Southern California to raise money for the families of imprisoned Jewish terrorists in Israel is an example. Personal drama has been added because one of them is Gordon Richter, the 22-year-old son of Pesha Gordon, who lives here.

Rabbi Maurice Lamm of Beverly Hills has spread her appeal for help and indulgence on the grounds that the prisoners who attacked a busload of Arab workers or planned a bombing massacre were "patriotic, religious people." He claimed that Jewish terrorists deserve compassion because they act out of "religious zeal." This is an argument that Ayn Rand might have used to justify outrages in the name of Islam. It is unworthy of any American.

There has been a peculiar ambiguity in the intimate American-Israeli relation. Dedication to the state's survival has brought reluctance to criticize. But as Israel's closest and often only friend, with its own resources committed, America can better help Israel and itself by recognizing when there should be second thoughts.

The American Jewish community should not be afraid to speak out when it is misrepresented, even by American-born Israelis. And it is not improper intervention to urge a national unity government now for the one purpose of revising the electoral system so that Israel can at last produce a viable majority, thereby relegating fringe to the fringe.

The United States contributed to Israel's deadlock, as well as to its existence. Now it can recommend a form to bring capacity for decision.

The New York Times.

LETTERS TO THE EDITOR

There Was Coverage

Regarding the report "Western Reporters Face Steadily Rising Barriers" (July 28) by Richard Bernstein:

Although I share the concern expressed in his article, I must disagree with two of the examples illustrating it. Mr. Bernstein mentions the military camps in Nigeria (December 1983) and Guinea (April 1984) and says that foreign journalists were denied coverage on both occasions. As a correspondent for West German television (ARD), I was able to report freely on both events with scarcely any restriction other than the usual official accreditation procedure.

LUC LEYSEN,
West Africa Correspondent,
ARD Brussels Bureau.

The Elections in Israel

Regarding the report "Results in Israel Reflect Wide Divisions, Inertia" (July 25) by Edward Walsh:

This analysis of the election results in Israel is unduly alarmist. In most parliamentary democracies, neither the conservatives nor the radicals command absolute majorities, and they have to rely on minority parties

to form a government. In all cases, coalitions involve compromise and a degree of drift and indecision. There is therefore no justification for suggesting that Israel finds itself now in some extraordinary predicament.

The "wide divisions" revealed by the voting pattern pertain to the nature of free societies.

May I add that the "decisiveness" of totalitarian regimes has not exempted them from an inertia that compares unfavorably with the irrepressible dynamics of Israeli society.

LIONEL BLOCH,
London.

The well-intentioned opinion column by Philippa Strum ("... And the Non-Debate on Civil Liberty," July 19) is, as far as it concerns racism and civil liberties in Israel, wrong concerning facts and principle.

The Israeli Supreme Court decision which overturned a step taken by the Central Election Committee, denying two political parties the right to run in the Israeli election was based purely on procedural grounds related to the authority of the committee. The court did not go into the

(Continued on Page 5)

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سبکنا من الامل

A Chance Of Success For Peace

By Henry A. Kissinger

The West and Moscow: Proclaiming a Desire for Peace Is Not a Foreign Policy

It is nearly nine months since the Russians walked out of the major arms control negotiations. In this age of the peril of nuclear catastrophe, the West must contribute creative policies toward summing the dialogue. And the beginning of creativity must be a diagnosis of the problem free of clichés and stereotypes.

The notion that American lack of ingenuity in devising new negotiating formulas is a major contributor to the diplomatic stalemate is not only wrong, it is dangerous because it removes Soviet incentives or serious dialogue.

Three facts must be faced:

- The erratic early phases of the Reagan administration are not fundamentally at fault; Soviet behavior is.
- Importing the Russians to assume negotiations they should ever have left will not break the stalemate. It is indeed likely to deepen it.
- If peace becomes the sole objective for foreign policy, blackmail will rule diplomacy. Fervent proclamations of the desire for peace are not a foreign policy; the concept of peace must be given a concrete content.

No doubt the strident anti-Soviet rhetoric and the episodic policy-making of the early Reagan administration inflamed Soviet attitudes. It is also true that the administration has made clear, almost polemically, its eagerness to negotiate. Every overture has been rebuffed; as the administration has reversed its earlier attitude the Soviet Union has raised the ante.

East-West negotiations should be as inevitable as they are necessary. The perils of the nuclear age

weigh equally heavily on both sides. Whatever its defiant rhetoric, the Soviet system — wracked by economic crisis, facing a wholesale replacement of its aged leadership — needs a respite at least as much as the West does.

Each side must recognize that it is the second of 10 articles by the former U.S. secretary of state. The next one will appear on Sept. 24.

is condemned to coexistence whatever the ideological differences. Neither side has the right to define its own security in terms that increase the insecurity of the adversary.

CURRENT Soviet negotiating positions can be most charitably described as one-sided. The United States is clearly willing to make an agreement limiting missiles based in Europe to the number the Soviet Union adamantly insists that the 41 U.S. Pershing and cruise missiles in Europe with single warheads now confronting more than 350 Soviet SS-20s with multiple warheads must be withdrawn prior to any further negotiation.

What that negotiation would then involve is not clear. The Russian purpose must be to achieve the beginning of the neutralization of Europe by establishing a Soviet veto over the North Atlantic Treaty Organization's nuclear deployment.

The same nearly contemptuous intransigence characterizes the Soviet approach toward demilitarizing outer space. Surely there is something grotesque about the Soviet insistence that priority be given to talks on weapons that will not exist for a decade while weapons being built daily are to be excluded from the dialogue.

That such an irrational proposition could put the administration on the public defensive shows that for far too many the desire for negotiations overwhelms an analysis of its substance.

There may be several reasons for this Soviet conduct. Perhaps the Soviet Union wants to prevent the administration from claiming that its early rhetoric was no obstacle to diplomatic progress. Conceivably the septuagenarian Soviet leaders are engaged in a permanent succession crisis and are not able to muster the requisite coherence for a consistent negotiating strategy. Or the Kremlin may believe that it is on to a strategy that is working: to isolate the United States by exploiting the West's nervousness with deadlock.

Remarkably, this nervousness is being evoked almost entirely by Soviet rhetoric. Soviet actions have been extremely cautious; there have not been in recent years any significant geopolitical challenges. The Russians have pursued essentially psychological warfare; they seek to substitute words for deeds.

A deadlock of this kind cannot possibly be broken by Western importuning. How many more times must the president retract an incandescent statement made before a specialized audience over two years ago? How many more Western statesmen must journey to Moscow seeking to revive negotiations wrecked by the Russians? Does Washington really require allied ministers to certify its sincerity in the Soviet capital? Or does this dithering convince the Russians

that intransigence pays because it demoralizes the West and elicits unilateral concessions?

Most of the so-called "remedies" offered for the crisis in East-West relations are therefore likely to backfire.

A case in point is the old standby advocated by many and accepted in principle by the administration: an early summit meeting between the Soviet and American presidents. There is no instance in the postwar period where an unprepared summit conference did not rapidly lead to a worsening of relations.

Summit meetings are best used to confirm and dramatize agreements already worked out. They are not intellectual forums to break a deadlock; contestants can rarely act as their own umpires. And a failed summit meeting does not return matters to the starting point; ground is lost because the prestige of the heads of state is engaged.

CONGRESSIONAL efforts to lay down specific negotiating conditions also complicate diplomatic prospects. For example, MX deployment has been approved only if no negotiations have taken place by a certain date. This puts the Russians in the position to stop a major United States procurement program by the simple device of returning to conferences they should never have left.

To make matters worse, in every Western country except France the opposition parties demand even more essentially unilateral concessions. To preempt criticism, governments are thus tempted into pleas, reassurances, and proposals irrelevant to or inconsistent with their more prudent judgments.

This is surely a factor in the diffidence with which the American administration has responded to one-sided Soviet proposals and the eagerness with which it has sought negotiations on the most peripheral — occasionally trivial — subjects. What started as a Soviet tactic — possibly nurtured by Western clumsiness — thus may develop a momentum destructive of rational dialogue.

The desirability of negotiations cannot be an issue; their content must be, lest peace turn into a slogan to demoralize the fearful and to seduce the wishful. We cannot talk the Russians into returning to the conference table. But we do have an opportunity to prepare ourselves for when their sense of reality impels them to do so. The best use of the current period of stalemate is to clarify our own program for peace.

- I see no point in opening talks on outer space in the middle of our election campaign when the bipartisanship necessary to sustain results is in short supply, when the Russians may be tempted to embarrass a disliked administration and the administration may be inhibited by the fear of the political consequences of a perceived failure. The militarization of space is not likely to progress in the six weeks between the projected opening day of Sept. 18 in Vienna and the Nov. 6 election.
- The administration should answer the Soviet attempts to impose a one-sided agenda by postponing talks to a fixed date soon after the election.
- The time has come to face the fact that arms control negotiations

do not provide the best forum for fundamental breakthroughs. On each side positions — and assessments of the adversary's positions — emerge from a process that places a premium on the esoteric advice of experts who have studied the subject for more years than government leaders have spent hours on it. Leaders must find their way through technical gobbledygook upon which their diplomacy depends but which they have no criteria to assess. This is bound to increase the congenital insecurity of high office — whether in Washington or Moscow — and lends itself to bureaucratic power plays incomprehensible to the other side.

THERE IS no technological reduction of strategic arms conceivable — say four-fifths of existing arsenals — would leave enough warheads in the possession of each side (more than 5,000) to devastate humanity.

- Thus neither the United States nor the Soviet Union will be able to avoid a serious political dialogue. While it is unrealistic to seek to ban political competition in an ideologically divided world, it is essential to define its scope. Otherwise crises can too easily be driven out of control by the inability to communicate.
- Such an exploration need not wait for the American election. Moscow and Washington could begin immediately by seeking to define — on a confidential and unpublished basis — the objectives for East-West relations over the next two to five years. Only a political understanding will enable meaningful instructions to be issued to the technicians of arms control. If such an understanding is not attainable, arms control negotiations will either stalemate or become a propaganda forum.
- With respect to the space negotiations, the interval between now and the U.S. election should be used to develop a position on the relationship between offensive and defensive forces. Without it we will be whipsawed both at the conference table and at home.
- Urgent consultations should take place between the United States and its NATO allies on what will surely be the first Soviet move when the Kremlin decides to reopen negotiations on European-based missiles: an offer to return to the conference table if the allies freeze their build-up — guaranteeing the Russians an edge of 8 to 1. Even more important is a common-sense analysis of long-term Soviet strategy because seriously differing interpretations now being swept under the rug prevent the emergence of a unified allied response. And the resolution of the disputes over NATO strategy is central to both a realistic defense as well as a realistic arms control policy.

In an ideal world these principles would be implemented in the United States on a bipartisan basis.

Nothing would spur negotiations more than a demonstration of unity on foreign policy objectives, which the winner in November will require in any event. Bipartisan forums exist to study the strategic issues. And, who knows, it might even turn out to be good politics to liberate a presidential campaign from quick fixes or apocalyptic appeals.

But the administration should pursue this course even if we are too close to the election to work out bipartisan restraint before Nov. 6. In truth it has no choice. In the long run democracy can thrive only if one assumes that good politics is compatible with good policies.

Good policy requires that we deal with these challenges: to convey clearly that the Kremlin cannot make itself a factor in our decisions; to commit our nation to serious and comprehensive negotiations; to establish criteria by which to judge progress.

Commitment to the goal of peace must be allied with a definition of the content of peace. Such a course would give us the staying power until reciprocal necessities — not unilateral, demeaning pleas — move the Russians to seek with us the basis for a just and honorable settlement.

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Fred Waring Dies at 84; Was Big Band Leader

DANVILLE, Pennsylvania — Fred Waring, 84, a popular leader whose career outlasted the Big Band era to reach television and electronic music, died Sunday of complications from a stroke, officials said here.

He had been taken to a hospital Saturday evening from his music workshop in State College, Pennsylvania.

Mr. Waring, a native of Tyrone, Pennsylvania, led The Pennsylvaniaans and later The Young Pennsylvaniaans, a meld of glee-club jokes and orchestra famous for their arrangements and energetic velvet-smooth renditions of additional favorites.

While Mr. Waring was known internationally as a musician, he was also an inventor of note. His successful Waring blender was one of the first of a new generation of food-processing appliances.

His groups headlined on their own and also accompanied top entertainers such as Frank Sinatra, Ella Fitzgerald, and Louis Armstrong at Irving Berlin. As recently as 1979, Mr. Waring and his Young Pennsylvaniaans played in 90 cities on a 24-state tour.

Mr. Waring appeared in Hollywood's first talking pictures and became one of the first stars of television. Later, he recorded what was said to be the first electronic music album.

His group starred in the first musical motion picture, "Syncope," throughout his career he played the great American music hall.

Last December he received the Congressional Gold Medal, the highest civilian honor in the United States, from President Ronald Reagan.

Mr. Waring, the son of a banker, got his first job as a musician at age 16. Later, with some neighborhood youngsters, he started Waring's Banjo Orchestra, playing at dances, traveling on milk trains and eating simple fare that included soda crackers and water.

Colonel Gilbert Rémy, 79, French Resistance Figure

GUINGAMP, France — Gilbert Rémy, 79, who as "Colonel Gilbert Rémy" joined the Free French Forces in London and from there directed an intelligence network in occupied France, died here Sunday.

Colonel Rémy was in his Breton town to attend anniversary ceremonies for Resistance fighters from the area. He died in his hotel room, apparently of a heart attack.

Before the war, he had headed a group financing film production. On June 28, 1940, he went to London to join de Gaulle's Free French Resistance movement, taking "Colonel Rémy" as his nom de guerre. In November of that year, he created the Confédération Notre-Dame, a group which, under the guise of a religious organization, became a vast intelligence network.

Keeping his nom de guerre as a pseudonym, Colonel Rémy became a prolific writer after the war. Among his books are "Memoirs of a Secret Agent of Fighting France" and "Demarcation Line."

His many decorations include Commander of the Legion of Honor, Friend of the Liberation and the Rosette of the Resistance, as well as honors from Britain, Belgium and other countries.

He lived with his wife, Edith Stuart Anderson, in the Breton town of Lanmodez.



Colonel Gilbert Rémy

George Gallup, Polling Pioneer, Is Dead at 82

NEW YORK Times Service

MOSCOW — George S. McGovern, a former senator from South Dakota and the Democrats' 1972 presidential candidate, has reported after meeting Foreign Minister Andrei A. Gromyko that the foreign minister does not expect negotiations on space weapons to take place in September.

"We discussed the latest offer from the United States on the talks proposed for September in Vienna," Mr. McGovern said. He added that the Soviet foreign minister seemed convinced there would be no talks.

Mr. McGovern said Mr. Gromyko's pessimism is based upon the U.S. desire to reopen other types of nuclear-arms discussions at the talks.

Mr. Gromyko was firm, he said, on the Kremlin's refusal to reopen the Geneva arms talks.

Mr. McGovern, he said, emphasized that one of the Soviet Union's primary concerns is the NATO alliance's refusal to include British and French missiles in talks.

The foreign minister, he added, told him that the issue is not being given enough attention by the administration of President Ronald Reagan.

Mr. McGovern was in Moscow for a conference sponsored by the Washington Institute of Policy Studies and the Soviet Union's U.S.A. and Canada Institute.

NEW YORK Times Service

NEW YORK — George Gallup, 82, who pioneered techniques of public-opinion polling and did much to make it a key tool in politics, government, business and scholarship, died Thursday at his summer home in Tschingel, Switzerland, apparently of a heart attack.

Mr. Gallup became known nationally with a successful prediction in 1936, based on his polling, that Franklin D. Roosevelt would beat Alf Landon in the presidential election. And his reputation survived the Gallup Poll's incorrect forecast in 1948 that Thomas E. Dewey would defeat Harry S. Truman, an error that Mr. Gallup blamed on ending the polling too early.

It was in 1935, after Mr. Gallup had been hired to do research for the New York advertising agency Young & Rubicam, that he founded the Gallup Poll.

Churchill once contended that "nothing is more dangerous than to live in the temperamental atmosphere of a Gallup Poll, always taking one's temperature."

Mr. Gallup was born in Jefferson, Iowa, a small rail junction in the center of the state.

He earned his bachelor's degree at the State University of Iowa in 1923, and remained there for his master's degree in 1925 and his doctorate in 1928. After teaching journalism at Iowa, Drake and Northwestern universities, Mr. Gallup became director of research at Young & Rubicam in 1932.

His son, George Gallup Jr., is president of the Gallup polling organization, the American Institute of Public Opinion, in Princeton, New Jersey.

Other deaths:

Jeanne Modigliani, 65, daughter of the Italian artist Amedeo Modigliani, in Paris from a cerebral hemorrhage caused by a fall, her family said Saturday. A teacher of Italian, she had been preparing a major centenary exhibition of her late father's works.

Colonel Edward J.F. Glavin, 81, who helped conduct the negotiations that resulted in the surrender of a million German troops in northern Italy in 1945, in Norwalk, Connecticut, last Wednesday. He had been in charge of the Office of Strategic Services in the Mediterranean theater.

Gromyko Does Not Expect Space Talks, McGovern Says

MOSCOW — George S. McGovern, a former senator from South Dakota and the Democrats' 1972 presidential candidate, has reported after meeting Foreign Minister Andrei A. Gromyko that the foreign minister does not expect negotiations on space weapons to take place in September.

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LETTERS

(Continued From Page 4)

after of when or why a political coup can be legally prevented or participating in elections.

Secondly, the Ministry of Defense only took a stand concerning a Progressive List for Peace. It did not refer to the Kach platform. Was the Central Elections Committee which found Rabbi Kach's racism incompatible with Israeli beliefs.

That this view is shared by many Israelis is proved by the fact that recently, and in one single day, three major Israeli newspapers — Haaretz, Davar and The Jerusalem Post — carried editorials raising the question whether the Kach party should be allowed to continue as a legally tolerated movement. The advocacy of racism should be outlawed in Israel, as in any other civilized country. Freedom of expression and freedom of organization are, of course, not absolute and cannot be invoked to prevent a law — domestic as well as international — from declaring it a punishable offense and from banning racist organizations. Israel, like 120 her countries, has ratified the UN Convention on the Elimination of all Forms of Racial Discrimination and is therefore under an international obligation to do so. By doing it, it will also achieve the utopian aim which Philipppanum considers the only hope.

NATAN LERNER,
Kiryat Ono, Israel.

he Plot's Context

Regarding the report "Two Germans Mark 40th Anniversary of Plot to Murder Hitler" (July 21):

Central to an understanding of von Stauffenberg plot is an understanding of the former Prussian officer corps. The sole remnant of Prussian imperialism, it had been militated by the ending of World War I and the Treaty of Versailles. With the rise of militarism under Hitler, the corps felt it could use the opportunity as a stepping stone to power. However, the defeat at Sta-

Ulster Protestant To Face Trial

BELFAST — George Seawright, a former member of the Reverend Ian Paisley's Protestant Democratic Unionist Party, has been charged with causing a breach of the peace by urging that Roman Catholics should be incited.

The Glasgow-born Protestant zealot, who moved from Scotland to Northern Ireland a decade ago, was ordered Friday to appear before a magistrates' court in Belfast on Sept. 3.

Mr. Paisley's party suspended Mr. Seawright, 34, this month for saying during a June 11 meeting of Belfast City Council's education and library board that "taxpayers' money would be better spent on an incinerator" to burn Catholics and throw in their priests as well.

His remarks sparked angry exchanges between Protestant and Catholic council members and police had to clear the chamber.

U.S. Entry into War, the Inevitable Pressures and Declining German Fortunes Presaged the End

Turning in another direction: Churchill had long been known for his anti-Communist views. It was he, after World War I, who had advocated turning a still-armed Germany against the Bolsheviks.

The German officer corps felt that Franklin D. Roosevelt and most other Americans regarded the Russians as allies of convenience. The sticking point was Hitler. Let the corps do away with him, in the newly resurgent militarized Germany, and they could resume their pre-eminence. The Prussian officers thought they could then negotiate a peace with the United States and Britain that might lead to a military assault against the common enemy, Russia.

HOWARD B. HOLLANDER,
San José, Costa Rica.

A Brutal Harvest

Regarding the report "Alaskan Seal Slaughter Begins" (July 4):

The report states that 792 harbor fur seals were clubbed to death on the opening day of a scheduled "four-week harvest." I am dismayed by such smokestack language. This "harvest" is a brutal slaughter of totally helpless, innocent and feeling creatures.

HANS FISCHINGER,
Baghdad.

About East Germany

Regarding "East German Confirms Bonn Visit Despite Signs of Soviet Hostility" (July 16):

On Oct. 7, 1984, East Germany is celebrating the 35th, not the 30th, anniversary of its proclamation. KLM is not the only Western airline flying scheduled flights to East Germany. Austrian Airlines has had regular flights from Vienna to East Berlin for years.

FRIEDRICH EPSTEIN,
Vienna.

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OIL & MONEY STRATEGIES FOR THE EIGHTIES

THE FIFTH ANNUAL INTERNATIONAL HERALD TRIBUNE/OIL DAILY CONFERENCE LONDON, OCTOBER 18-19, 1984

Conditions in the world oil market have never been more complex. Unstable political situations, uncertain price trends and megamergers have all led to radical shifts in the oil market.

In view of the current situation, this year's International Herald Tribune/Oil Daily conference on the theme "Oil and Money for the Eighties", has never been more timely.

- OCTOBER 18**

LEARNING TO LIVE WITH MARKET FORCES: THE FORMULATION OF SAUDI PRICING POLICY FOR REFINED PRODUCTS AND LPG.

H.E. Dr. Abdulnaby H. Taha, Governor, Petroleum.

OIL AND GAS OUTLOOK THROUGH TO THE YEAR 2000: CHANGING PERSPECTIVES.

Moderator: Herman T. Franssen, Chief Economist, International Energy Agency.

Michael Clegg, Manager, Gas, British Petroleum Co. plc.

John W. Davies, General Manager, Economics Staff, Chevron Corporation.

Ian Seymour, Executive Editor, Middle East Economic Survey.

OPENING ADDRESS - AFTERNOON SESSION

Dr. Amund Hammer, Chairman and Chief Executive Officer, Occidental Petroleum Corporation.

MAJOR OIL COMPANIES' STRATEGIES

Paul B. Hicks, President, Texaco, Europe.

Sir Ardian Lamb, Executive Director and Adviser on International Relations, Britoil plc.

Henry de Ruitter, Managing Director, Royal Dutch Shell Group.

Baron Dickirk Sney, Executive Director, Petrofina S.A.

Nasir H. Sultan, President, Kuwait Petroleum Int'l Ltd.
- OCTOBER 19**

THE OUTLOOK FOR NIGERIA'S OIL POLICY

Professor Tom David-West, Minister of Energy and Petroleum, Nigeria.

ARAWCO AND THE FUTURE

Ali I. Na'im, President, Arabian American Oil Company.

THE ROLE OF THE INVESTMENT HOUSE IN OIL COMPANY MERGERS

Frank G. Zarb, Partner, Lazard Frères & Co. Former Director, U.S. Federal Energy Agency.

THE FINANCING OF MERGERS AND VENTURES

Carol Ferguson, Oil Analyst, Wood, Mackenzie & Co.

William S. Lear, SVP, and Worldwide Head of Energy and Minerals Group, The First National Bank of Chicago.

Yves Rouven, Vice President, Energy, The World Bank.

UNITED STATES ENERGY POLICY

Donald Model, United States Secretary of Energy.

THE FUTURES AND SPOT MARKETS: A NEW RANGE OF OPTIONS?

Moderator: Nicholas G. Voile, Oil Consultant, London and The Hague.

Ernst Rosenberg, Vice President, Europe, Bache Securities Inc.

Jacob Schreiber, Managing Director, Bulk Oil.

John Trent, President, Energy Group, Bear, Stearns & Co.

CONFERENCE REGISTRATION FORM

Please enroll the following participant for the Oil & Money conference to be held October 18 and 19, 1984.

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The participation fee is \$495. Fees are payable in advance of the conference and will be returned in full for all cancellations postmarked on or before October 4.

Please return the registration form to:

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CONFERENCE LOCATION

Royal Garden Hotel, Kensington High Street,
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Telephone: (44 1) 937 8000. Telex: 263151.
Contact: Sue Robinson.

A block of rooms has been reserved for conference participants at preferential rates. For further details, please contact the hotel.

Pan Am is the official carrier for the conference.

How Brown the Valleys Of Rain-Starved Wales

Prolonged Drought Has Seared Fields, Emptied the Region's Water Reservoirs

By R.W. Apple Jr.
New York Times Service

ST. DAVID'S, Wales—Wales is famous for rain.

"It descends with the enthusiasm of someone breaking bad news," wrote H.V. Morton, a British traveler, after a discouraging journey through these parts in 1931. "It comes down in a constant cataract. It blows over sea, sky and mountain. It flies, abetted by its companion, the wind, to the left and to the right. It even blows upward over the edge of high places. It finds its way up your sleeves and down your neck."

But it has done none of those things in the last three months. There hasn't been a proper rainstorm—an exuberant, stout-hearted, full-blooded Welsh rainstorm—since Easter. When it has rained, said Alexander M. Falconer, a local businessman, "it's been a pathetic little drizzle, not the kind of thing we're used to here at all."

Richard Llewellyn wouldn't know the place; he had been writing it this parched summer, he would have had to call his book "How Brown Was My Valley."

The drought, according to the latest bulletin of the Water Authorities Association, is even worse than the one in 1976. In southeast Wales, where some communities began last week to experience three hours of dry taps a day, the engineers have installed a pump to extract a million gallons of water from an abandoned coal mine.

Some of the reservoirs in the area are already empty, their bottoms dry and cracked as an old shoe.

For the first time in two decades, you can walk through the remains of Capel Celyn, six miles (9.6 kilometers) from Bala, in North Wales, which was submerged to create a water-supply reservoir for Liverpool. Once the home of 50 people, with a school and a Methodist chapel, it was bulldozed. Only silty-covered debris remains. The water level is 50 feet below normal.

The weather hasn't been that warm; the maximum temperature Sunday was only 81 degrees Fahrenheit (27 degrees Celsius). But for the people who live here, accustomed to frosty June and blustery Julys, it seems positively tropical.

"I'm sorry," said a waitress in a pub at Wolf's Castle, a few miles to the east, after confounding an order. "It's the heat, I can't concentrate."

The drought has not been restricted to Wales, Devon and Cornwall in the west of England have also been stricken. In Scotland, the lack of rain turned the grass at the St. Andrews golf course brown. So

that things would look right on television, the groundskeepers at the Royal and Ancient Golf Club used green aerosol sprays for touch-ups before the British Open last week.

But nowhere in this island does the lack of rain seem more incongruous than at the southwestern tip of Wales.

St. David's is the smallest city in Britain (population 2,500)—a city being defined in Britain as a place with a cathedral. St. David's has had one since about the 6th century. St. David, born here, preached the gospel in Wales long before St. Columba ever left Ireland for Iona in Scotland and long before St. Augustine ever left Rome for Canterbury.

St. David is the patron of Wales and he has given his name to the county in which the city is situated (Dyfed). Even as early as the 12th century, when the present cathedral was built, it was clear that St. David was born in a place with an unfortunate climate. To protect it against the wind and rain lashing in from the Atlantic, they put it in the deep valley of the Afan River so that only its stumpy tower is visible from the main business street.

St. David's makes its living from tourism but not from its beaches. People come here to see the cathedral or to ride the orange rubber boats through the turbulent waters that separate the mainland from Ramsey Island. Colonies of grey seals, puffins, gannets and kittiwakes await offshore.

The boatmen wear heavy wetsuits. But on Sunday, Tim—a Manchester adventurer who settled in the city after stints in Australia and New Zealand—had to peel off his suit because of the heat.

Another veteran of disappointing Welsh summers, the wife of an Italian, the parched fields seemed reminiscent of the country around Urbino in Umbria. There was, indeed, something Italianate in the haze that lay over these usually verdant hills.

"The British," said a thoroughly British shopkeeper, "are never ready for the weather. We're surprised when it snows, astonished when the rain knocks down the power lines and helpless in every dry spell."

There is no national water "grid," so there is no way that the ample reserves of water in southeastern England can be transferred to the needy areas. People here and in other trouble spots complain that the lessons of 1976, the driest summer in 200 years, have not been learned.



Sir Geoffrey Howe and Wu Xueqian after the two foreign ministers held talks Sunday.

Howe Cites Progress in Talks on Hong Kong

BEIJING—Sir Geoffrey Howe, Britain's foreign secretary, said Sunday that substantial progress had been made in talks with Chinese officials over the future of Hong Kong, which is due to revert to Chinese rule in 1997.

"Our meetings have led to substantial progress towards the goal for which we are both striving," he told Foreign Minister Wu Xueqian in a speech after a round of talks.

A Chinese spokesman also said that progress had been made in Sunday's talks. British sources described the atmosphere in the session as productive.

The talks Sunday followed a meeting Saturday between Sir Geoffrey and Mr. Wu in a heightened effort to reach an accord on the transfer of power in 1997, when Britain's lease on most of the territory expires.

Sir Geoffrey is to meet Monday with Prime

Minister Zhao Ziyang. Since that meeting had not been confirmed earlier, British sources saw it as a further indication that the talks were going well.

In London, the Sunday Times reported that Prime Minister Margaret Thatcher had sent a letter to Deng Xiaoping, China's most powerful leader, in a bid to resolve problems blocking an accord.

There was no confirmation of the report in Beijing. British sources said there was no indication whether Sir Geoffrey would meet Mr. Deng before leaving on Tuesday for Hong Kong.

Sir Geoffrey has emphasized that Britain will continue to run the territory until 1997; he is seeking a detailed, binding accord with Beijing on how Hong Kong will be governed after that. His trip to Beijing was seen as an attempt to bring greater pressure for such an agreement.

Chinese ministers have pledged that Hong Kong will have considerable autonomy after 1997.

U.S. Rebuffs Castro's Call for Talks, Demands Major Shift in Cuba Policy

WASHINGTON—The State Department is ruling out comprehensive talks with Cuba until the government of President Fidel Castro changes some of its policies.

Alan D. Romberg, the department's deputy spokesman, said Friday that a speech by Mr. Castro on Thursday did not go far enough.

In his speech, commemorating the 31st anniversary of the start of his revolution, Mr. Castro said he was prepared to seek an improvement in relations with the United States.

"Just as we are ready to fight and die, we are not afraid to debate and talk to find solutions," Mr. Castro said.

"We will not reject any gesture that might reduce any tension in our area. We threaten no one. We cannot threaten anyone. Do we want war? No. We will wage war if it is imposed upon us. We are not warmongers," he said.

Mr. Romberg said that although Mr. Castro indicated he was prepared to continue talks on migration issues, a "broader review of the relationship would depend upon Cuba's actions in a variety of areas."

Previously, the Reagan administration has said that these areas include Cuba's relationship with the Soviet Union; its troop commitments to several African countries, especially Angola, and its alleged efforts to promote subversion in Central America.

"At least looking at the reports we have from Mr. Castro's speech, in addition to what we've seen in terms of action, we don't see that there's been a change," Mr. Romberg said.

Jeanne J. Kirkpatrick, the chief U.S. delegate to the United Nations, was more specific. An improvement in relations, she said, would be difficult as long as the Castro government "engages in the export of revolution and in the training and advising of guerrillas in this hemisphere and permits Cuba to serve as a base for the projection of Soviet power."

She added that there can be no significant improvement in relations if Cuba continues what she described as its systematic policy of repression of political dissidents on a massive scale.

She spoke at a gathering sponsored by the Cuban-American National Foundation, an anti-Castro group.

Cuba and the United States recently resumed talks on migration issues, including U.S. insistence that Cuba agree to the return of several thousand Cubans not eligible for permanent residence in the United States because of criminal records or health problems.

These Cubans were among the 125,000 who came to the United States aboard the Mariel boat-lift in 1980.

The initial round of U.S.-Cuban talks on this issue was held in New York last month. Additional talks are expected but both sides are pledged to keep the time and place secret because of the possibility of threats on the Cuban delegation.

East Berlin Prints Attack On Bonn Ties

Soviet Article Signals Strict Limits to Détente

BERLIN—East Germany, which received a major West German bank credit last week, has signaled strict limits of political reconciliation by publishing a hard-line Soviet attack on Chancellor Helmut Kohl's government.

Saturday's edition of the Communist Party newspaper Neues Deutschland reprinted in full a lengthy article from its Soviet equivalent, Pravda, accusing Bonn of using economic links and demands for "closer human contacts" between the two countries to undermine East Germany's Communist system.

"Bonn... is trying to impose its 'dominance' and encourage a chauvinistic spirit and is working suborningly for concessions on principal questions affecting the sovereignty of the republic," the article said. It was first published in Moscow on Friday.

Diplomats said the Pravda article appeared to be a warning to East Berlin not to allow the improvement in ties with Bonn, during a general growth in East-West tensions, to go too far.

"The East German party's decision to reprint the article in full clearly signals acknowledgment that strict limits are being set by the Kremlin on the German-German relationship," one diplomat said.

Bonn announced last week that it had approved a 950-million Deutsche mark (\$330-million) loan to East Berlin in return for a slight easing of travel restrictions between the two countries. The deal cleared the way for the first ever visit to West Germany by an East German leader, Erich Honecker, this fall.

Mr. Kohl, meanwhile, accused the Soviet Union of waging an "absurd" defamation campaign against his country.

In a remarks made in a radio interview and released by the government press office Saturday, Mr. Kohl dismissed the charges as "communist propaganda," which he said would have no effect.

"What is going on here is a completely absurd defamation campaign," the chancellor said.

A government spokesman said Mr. Kohl's remarks were made before West German newspapers said that the Pravda article was also meant to caution Mr. Honecker ahead of his trip.

The Süddeutsche Zeitung said that Moscow's warning to its strongest East bloc ally "shows how narrow East Germany's scope is within the limits it is obliged to observe."

France's Communists: Waning Power Blamed On Rigidity, Old Ideas

By John Vinocur
New York Times Service

PARIS—In a nearly forgotten municipal election in Tours in the mid-1970s, the French Communist Party ran a strange campaign. It offered potential voters neither red flags nor specific identification as

Communists, but a symbolic green dot that, long before West Germany's eco-pacifists grabbed the idea, was supposed to signify youth and generosity. The test-market campaign flopped, and the French Communists went back to doing business the old way.

This summarizes, in the view of some party members, the essential problem of French communism. In government or out, toying with green dots or other ploys with green dots or other ploys, the party has not fundamentally changed its attitudes since World War II. All employees are exploiters, the state can save the economy by buying up the means of production, and the Soviet Union remains a shining, unassailable success.

Those who call themselves reformists say the party has grown old. Those who look at it from the outside say that it remains rigid, with the party's public image withering in the face of modernity. This comes not only through association with a Socialist government pledged to rescue French industry by amputating jobs, but as a result of a half-dozen cases of electoral fraud over the past three years, and a foreign policy that turns Solidarity trade union members into CIA agents, and the Soviet intervention in Afghanistan into neighborhood assistance.

A few weeks before the Socialist and Communist separated, Marcel Rigout, then minister of vocational training and one of the Communist reformist leaders, made an extraordinary admission. The party's vote in elections for the European Parliament had just fallen to 11 percent, its worst electoral performance in 60 years, and its share of young people's ballots, Mr. Rigout said, was down to 6 percent.

He avoided the standard party line that this was all the fault of the government's austerity policy, and asserted instead that too many Frenchmen were now making the equation: "The Communist Party equals the U.S.S.R., equals the gag."

There was more. Mr. Rigout told reporters that real debate must develop at party congresses, including motions that oppose those of the party leaders. The party, he said, had to undergo a cultural revolution of a kind that would distance it

from the Communist government of Eastern Europe.

The resulting embarrassment in the party, under Secretary General Georges Marchais, the Central Committee always vote unanimously, was enormous.

This provided the background in part, for the party's decision to leave the government, and the interpretation that the Communists departed—regardless of whether they jumped or were pushed—reinforced the old-line faction.

Staying in power would have likely helped reformists such as Mr. Rigout. The reformists are thought to believe that participating in government has a kind of momentum that can cause the party away from its leader reflexes.

But the reformists did not win. One explanation for this, however, is that the Communist-led trade union, the Confédération Générale du Travail, is believed to have argued that its hand was increasingly tied by the party's association with the Socialist government, and with it the Communist's ability to create labor peace or disruption, seems to have declined along with the party's electoral fortunes over the past years.

The union's membership has thought to have been about 6 million or six million at the end of World War II, is now reckoned at about one million, including 300,000 retired workers. Election for union and social security officials in industry last fall showed a 2.5-percent decrease in the confederation's score from previous voting.

A particular problem of the union is that the government's industrial restructuring program on into the industrial sectors where the union is strongest. An even greater problem is that much of the class-struggle and worker-solidarity rhetoric seems to have increasingly less appeal to the specialists. The Mitterrand government will have jobs when France is finally awash in the rosy glow of big technology.

Despite these obstacles, the old line is still expected to try to shore up their positions by looking for a "cultural revolution" in the party's vote in elections for the European Parliament had just fallen to 11 percent, its worst electoral performance in 60 years, and its share of young people's ballots, Mr. Rigout said, was down to 6 percent.

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Workers Uncover Cache Of Duke's Stolen Silver

By Jo Thomas
New York Times Service

LONDON—Two workmen making a routine inspection of an isolated water substation stumbled across \$6.6 million worth of silver and heirlooms stolen last March from Wolurn Abbey, the duke of Bedford's stately home, about 20 miles (32 kilometers) away, police said.

The theft March 14 had been called the biggest and boldest robbery of a stately home in this century. Thieves are believed to have posed as visitors to the 120-room mansion. They avoided a sophisticated television security system and took 47 items, described as irreplaceable, from the state dining room, the racing room, and the Queen Victoria room.

A \$122,000 reward was offered. Interpol was alerted, lakes were dredged, and psychic mediums were brought in to aid in the search.

The workmen, Jack Hall, 61, and Bill Cartwright, 50, found the treasure on Friday in a plastic box two feet square (60 centimeters square). Mr. Hall said he thought it "might have been dangerous chemicals."

He said that they checked the Cambridge station on Monday and everything was normal. But Friday morning, he said, "we knew something was amiss because the door was undone."

He said they called the village policeman, who cut the box open. "We lifted the lid up and lifted a piece of cardboard up, and there was a lovely gold cup," Mr. Hall said. The stolen items included the silver Reform Cup, a trophy commemorating the passage of the Reform Act of 1832, and two 17th-century silverbroadswords by the Huguenot silversmith Paul De Launay valued at \$1,520,000.

The police said on Saturday that "all of the property stolen as a result of the burglary has now been discovered" and that they were seeking a man, they refused to disclose any other details.

The marquis of Tavistock, who now runs the Abbey for his father, said: "People said it would end up in South America, but one hoped it was a dream to see it again."

At the time of the theft, the police said that the thieves left several valuable items behind at the abbey and appearing to be selecting antiques for a special buyer. There were fears the antiques would be sold abroad.

Troops Are Called To South Indian City To End Riots

NEW DELHI—Paramilitary troops were called in Sunday to curb Hindu-Muslim rioting in Hyderabad following the killing of five persons in the southern Indian city.

Officials of the state of Andhra Pradesh, whose capital is Hyderabad, called in three companies of the paramilitary Central Reserve Police Force to help state police battle rioters.

The United News of India also reported that an indefinite curfew was imposed on Hyderabad, about 600 kilometers (360 miles) east of Bombay. The communal violence erupted July 22 when a Hindu religious procession was attacked by Muslims.

The news agency reported that five persons were killed and five injured in Sunday's clashes, while a total of nine persons have been killed and 170 injured since the violence broke out. It also said police had arrested two state legislators, a Hindu and a Muslim, under the National Security Act, which allows preventive detention without trial for up to one year.

Meanwhile, police in the northern state of Punjab arrested about 400 Sikhs Sunday when they tried to march to the Golden Temple to "obstruct" repair work at the sacred shrine in Amritsar by rival Sikhs, the United News of India reported.

India Parliament: Case Of Diminishing Power

By William K. Stevens
New York Times Service

NEW DELHI—There was no hint of the uproar to come when India's lower house of Parliament convened last week for the opening of what probably is the last session of the current term.

The members chatted, relaxed and joked—variously clothed in the coarse cotton pajamas tops called kurta, in Congress caps and Sikh turbans and the peaked wool hats favored by Muslims, in saris and safari suits and short-sleeved summer shirts and even one or two in coats and ties.

Prime Minister Indira Gandhi made the rounds of the front row, greeting even the members of her bitter opposition.

But hardly a second had elapsed after the opening moment of silence for deceased members before about 20 opposition members jumped to their feet, screaming and howling.

They demanded that the speaker immediately schedule a debate on what they called Mrs. Gandhi's illegitimate topping of an opposition state government recently in Kashmir.

Suddenly, a member of Mrs. Gandhi's Congress Party bounded across the aisle and threw a punch. He missed, but scuffling ensued.

The speaker left the dais. When he returned, the parliamentary opposition walked out.

"This is quite normal," a veteran Parliament-watcher said.

Such parliamentary scenes have become everyday stuff in the world's most populous democracy, and critics see this as a symptom of its decline. For all the opposition's shouting and posturing, it really

has little to say about what Parliament does. The lower house has been under Mrs. Gandhi's control since the 1980 election.

The semicircular floor of the house is divided into six pie-shaped sections. Four are occupied by Mrs. Gandhi's disciplined party loyalists, two by the opposition.

The two-thirds dominance by Mrs. Gandhi's Congress Party may change as a result of the lower house elections that she is expected to call after this session ends in late August. Some politicians and journalists believe that her majority in the lower house will be considerably reduced.

For now, despite Mrs. Gandhi's strong majority, Parliament has generated little besides noise. "For various reasons, it is losing its importance," said Dinesh Goswami, a former independent member of the lower house.

Increasingly, the tendency is for the government to present measures to Parliament as a fait accompli, worked out beforehand by Mrs. Gandhi's advisers and the bureaucracy.

This past week, after the opposition returned, the lower house debated the government's decision—made in June—to send the military into Punjab and to raid the Golden Temple of the Sikhs. As many as 1,000 persons, including at least 83 soldiers, are believed to have been killed in the temple raid in Amritsar.

The opposition accused the government of withholding facts, of not acting quickly and deftly enough to achieve a peaceful settlement and of causing needless bloodshed.

Once again, during the debate, the floor scene turned boisterous, with opposition members inter-

Coalition Wavers; Kohl Cuts Vacation

BONN—Chancellor Helmut Kohl has interrupted his summer vacation in Austria to try to unite his divided coalition government for an emergency meeting of the parliament Tuesday, West Germany's first such session in six years.

The 520 members of the Bundestag are being recalled from vacation to debate a government plan to allow the Bushchans coal-burning power plant in Lower Saxony to start operations, even though the facility does not have equipment to filter out noxious sulphur dioxide fumes.

The plant was planned during the 1970s oil crisis, when acid rain pollution was not a political issue.

But the government ignored the Bundestag and said last week that the plant could start up now and would be equipped with scrubbers later.

Opposition groups then demanded that the government call an emergency session, and Mr. Kohl's coalition partners, the Free

Democrats, sided with the opposition.

The environmentalist Greens party warned of "blatant disregard for parliament," and the youth wing of Mr. Kohl's own party joined the protests.

The government says that waiting for the installation of scrubbers would mean a delay of three years in commissioning Bushchans. Opening it now would bring jobs to an economically depressed region, which is near the East German border.

The government maintains that its own plan for Bushchans in the long term, would cut emissions by a 33 percent through Sept. 30, 1990.

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EUROBONDS

Continental Bond Holders Look Clever as Price Soars

By BOB HAGERTY
International Herald Tribune

LONDON — A week ago, holders of Continental Illinois bonds looked like chumps. By Friday, they were looking clever. The U.S. government's rescue program, announced Thursday, sent prices on the bank's Eurobonds soaring, though trading was fairly thin.

Junk bond watchers saw considerable significance in the decision by the U.S. Federal Deposit Insurance Corp. to route its rescue package through Continental Illinois Corp., the bank holding company, rather than directly to the banking subsidiaries: The holding company acts as guarantor for the Eurobond issues.

"The bonds are looking a lot more secure than they were," says Kim Fraser, a director at the bond trading firm of Société Générale Strauss Turnbull.

At Ross & Partners, Perry Aldred reasons that Continental's new management would be reluctant to further mangle the bank's international image by failing to repay the bonds on schedule.

Even so, the bonds remain highly speculative, as illustrated by the still-hefty discounts.

Continental's 15 1/2 percent Eurodollar bonds of 1989, for example, ended the week quoted at around 90, for a yield of 19 percent. A week before, they were languishing at around 65, where the yield was about 30 percent. The bank's two other Eurobond issues, due next September and in 1986 respectively, showed similar price gains.

Mr. Aldred says the Continental bonds still look cheap. For the moment, though, "the big move has probably taken place," he says.

In the quality-obsessed mainstream of the market, the action was more subdued last week. Straight Eurodollar bond prices rose one to two points. In the U.S. market, the benchmark 13 1/4 percent Treasury bonds of 2014 closed Friday at 103 3/16, a gain of 2 1/2 points from a week before.

The Eurobond market normally is less exciting than the U.S. market, falling less during slumps and climbing more modestly during rallies. But the current U.S. rally has left Eurobonds far behind. According to Salomon Brothers, top-quality 10-year Eurodollar bonds are yielding about 34 basis points (or hundredths of a percentage point) above U.S. Treasury issues. A week ago, the yields were about equal; in early June, the Eurobonds were 40 points below Treasuries.

SUCH a shift could suggest scope for a rally in Eurobonds, but dealers cite several reasons for the Eurobond market to remain relatively sluggish.

It remains unclear whether yields have much further to adjust in response to the recent removal of U.S. withholding tax from U.S. bonds sold to foreigners. That move kicked an advantage out from under Eurodollar bonds. Now attention is focused on whether the Treasury will further enhance the appeal of U.S. bonds to Swiss and Benelux investors by allowing issues of bearer, rather than registered, bonds. Bearer bonds help investors preserve their anonymity.

They also can encourage tax evasion, though, and some bankers detect signals from the Treasury that it is reluctant to countenance that.

Also holding back the Eurobond market is a dearth of new issues. Some U.S. borrowers are unwilling to tap the market until the Treasury makes clear all of the regulatory implications of the removal of withholding tax.

Other borrowers would charge in if they could swap their (Continued on Page 9, Col. 1)

IBM Home Computers Likely to Be Improved

By Paul Richter

LOS ANGELES — International Business Machines Corp., which set off an industry uproar in June by cutting prices on its personal computers, is expected to cause more turmoil in the next few weeks by announcing improvements to its HomeStar PCjr home computer and introducing a new higher-capability personal computer.

Some industry analysts expect to see the home computer announcements made at a press conference that IBM has set for Tuesday in New York. They believe that IBM may unwrap the higher-capability system at an Aug. 14 meeting in Dallas, to which dealers have already been invited.

Michael Murphy, co-editor of the California Technology Stock Letter, said he expects that IBM will revamp the more capable of its two PCjr home computers, offering a new keyboard and doubling the computer's internal memory.

He said that the new keyboard will be similar to a typewriter keyboard, and thus better suited for large word-processing tasks than the much-criticized keyboard now sold with the computer.

If the memory is doubled to a storage capacity of about 256,000 characters, the home computer would be able to run most business software written for its more expensive cousin, the Personal Computer, Mr. Murphy noted.

Several analysts said that they expect the revamped PCjr to carry a price of about \$1,300, which would make it competitive in price with the \$1,295 Apple IIc. In June, IBM cut the price of the expanded-memory version of the PCjr to \$999 from \$1,269.

The new higher-capability computer, long expected under the code name Popcorn, will be able to act as the central machine in a network of several computers, analysts speculate. They said that indications are that the machine might be able to store more than 40 million characters of information in a hard-disk memory system and might be capable of hooking to a printer that other computers could also rely on.

Norm R. DeWitt, an analyst with the Dataquest Inc. research company in San Jose, California, speculated that the machine may be priced between \$6,000 and \$9,000, compared with system prices of \$4,000 to \$5,000 for Personal Computer XT systems.

The Personal Computer XT is now the most capable machine in the Personal Computer line and comes with a hard disk capable of storing more than 10 million characters of information.

CURRENCY RATES

One dollar equals 166.376 francs. Exchange rates for July 26, excluding fees. Official figures for Amsterdam, Brussels, Milan, Paris, New York rates at 4 P.M. EDT.

	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
Amsterdam	3.28	4.57	12.57	34.05	0.123	17.87	0.008	125.45	125.45
Brussels	34.05	74.15	23.22	4.59	0.123	17.87	0.008	125.45	125.45
Frankfurt	2.75	3.78	32.59	1.82	0.049	4.99	0.172	1.74	1.74
London (a)	1.31	—	3.78	11.39	2.28	0.26	3.22	3.24	3.24
London (b)	1.31	—	3.78	11.39	2.28	0.26	3.22	3.24	3.24
Paris	1.71	1.71	2.83	1.85	1.71	0.53	3.45	3.45	3.45
New York	—	—	—	—	—	—	—	—	—
Yokohama	1.71	1.71	2.83	1.85	1.71	0.53	3.45	3.45	3.45
Tokyo	1.71	1.71	2.83	1.85	1.71	0.53	3.45	3.45	3.45
Singapore	1.71	1.71	2.83	1.85	1.71	0.53	3.45	3.45	3.45
1 SDR	1.71	1.71	2.83	1.85	1.71	0.53	3.45	3.45	3.45

(a) Short-term (12-18 months) (b) Long-term (10-20 years) (c) Amounts needed to buy one dollar (1) Units of 100 (2) Units of 1,000 (3) Units of 10,000 (4) - not quoted (N.A.) - not available.

BIS Says Lending Declined

Third World, OPEC Get Less

Compiled by Our Staff From Dispatches

BASEL, Switzerland — The Bank for International Settlements reported Sunday that there had been a sharp drop in new loans by Western banks to OPEC and Third World countries in the first quarter of this year.

Lending declined in the three-month period to \$2.5 billion, down from \$17.6 billion in the last quarter of 1983, the BIS said.

Declines are common between the last quarter of one year and the first quarter of the following year and are largely attributable to seasonal influences, the report said. But the drop was particularly steep this year, it added.

By comparison, new loans in the last quarter of 1981 totaled \$25 billion but were \$6.5 billion in the first quarter of 1982, the report said.

The BIS is the central clearing house for all Western central banks but also gathers commercial banking data.

Deposits in Western banks by Organization of Petroleum Exporting Countries and Third World nations in the first three months of this year amounted to \$6.4 billion, which was about the same as in the last quarter of 1983, it said.

The BIS report said that in the nine months to mid-1983, OPEC countries had drawn down bank deposits by more than \$23 billion, but since then they had expanded by \$2.2 billion, growing by \$400 million in the first quarter of 1984.

The turnaround "suggests a pronounced improvement in OPEC countries' underlying balance-of-payments positions," the BIS said.

New lending to OPEC countries in the first quarter totaled \$300 million, it said, while \$1.5 billion went to other developing countries, mainly in Latin America.

"There was on balance no new lending to countries outside Latin America," the BIS report said.

Within Latin America, Brazil was the only major borrowing country, obtaining \$2.4 billion in new funds. (UPI, Reuters)

Airline Buys When Times Are Bad

Policy Lets Lufthansa Help Shape Design of Planes

By Axel Krause

International Herald Tribune

FRANKFURT — Reinhardt Abraham, deputy chairman of Deutsche Lufthansa AG, is fond of telling visitors that Lufthansa's consistently high earnings record stems partly from something he calls an "anti-cyclical investment policy" regarding the purchase of aircraft.

Contrary to the practice of most big airlines, Lufthansa buys or leases planes when the market is weak or depressed. That enables the company to play a strong role in shaping the design and development of the plane, as well as new engines.

"When business is good, most airlines purchase what they can find on the market on a pro-cyclical basis," according to Mr. Abraham, who joined the company in 1956, and is in charge of its technical matters.

Industry sources in the United States and Europe said the only airlines they could think of that closely follow Lufthansa's approach are Swiss Air Transport Co. and Singapore Airlines.

Despite considerable overcapacity among the world's airlines, Lufthansa is currently pressing several of its largest suppliers, including Boeing Co. of the United States, Airbus Industrie of Europe and a consortium of leading U.S., European and Japanese engine makers, with a view to obtaining the following in the 1990s: a new, four-engine long-range Airbus known as the TA-11; a completely redesigned, long-range version of the Boeing 747; and a new, highly efficient engine for a twin-engine, 150-seat passenger plane that it may buy from Airbus, Boeing or McDonnell Douglas.

Lufthansa also is keenly interested in research in the United States and Western Europe for the development of a new super-sonic passenger plane. To succeed commercially, Mr. Abraham said, it would have to have about 200 seats, about double the capacity of the French-British Concorde, incorporate highly advanced technology and offer first-class service.

"We are convinced there is a



Lufthansa's Frankfurt airport cargo center, the largest in the world, has an automatic storing system.

market for a new SST," said Mr. Abraham, adding that Lufthansa was among several airlines that had options to buy the super-sonic transport that was under development by Boeing until about a decade ago.

"Our goal is to build profitable growth on new technology and service and to keep our prices low," Mr. Abraham said, adding that 75 percent of Lufthansa's passenger fares are discounted.

As was previously reported, Lufthansa's 1983 earnings rose by 40 percent to 63 million Deutsche marks (\$21.9 million), while revenue increased by 8.3 percent to 8.23 billion DM.

Based on rising first-half revenues throughout Western Europe, North America and Asia, Mr. Abraham anticipates "probably somewhat higher" earnings in 1984.

While pressing for development of new aircraft and engines, Lufthansa also is opening new routes and expanding its highly profitable freight business.

It aims to maintain, and possibly increase, its position as the

world's fifth-ranking airline in terms of passenger traffic, and its No. 2 spot in handling cargo volume, after Japan Air Lines Co. Ltd., Mr. Abraham said.

Last year, Lufthansa's international freight tonnage rose by 16 percent to a record 457,376 tons, representing nearly 20 percent of total sales and a substantial contribution to earnings. During the first six months of this year, with economic growth picking up, notably in Asia, and with its freight volume running 18 percent higher than a year ago, Lufthansa is expanding its cargo-handling facilities.

For example, the capacity of its highly automated cargo center here, the world's largest and built two years ago at a cost of 250 million DM, is being doubled to handle one million tons of freight annually in the 1990s. And this year, Lufthansa will take delivery of five McDonnell Douglas DC-8, long-haul freighters, at a total cost of \$100 million, to replace Boeing 707s, Mr. Abraham said.

Lufthansa also has ordered two additional Boeing 747s. (Continued on Page 13, Col. 5)

Changes Likely In Bank Rules

Continental's Problems Lead to Fears of Worse

By Leonard Silk

New York Times Service

NEW YORK — The near-collapse of one of the biggest U.S. banks, requiring the government to devise a \$4.5-billion rescue plan last week, has convinced many bankers, businessmen, and economists that profound changes are

needed in the world banking system to prevent even more serious disasters.

Exactly what the changes will be, and how to bring them about, remains unclear.

Several factors contributed to the debate at Continental Illinois National Bank and Trust Co. of Chicago, the experts agree, a major one being poor management and imprudent lending. But in some ways the bank's troubles reflect huge changes that in the last decade have raced through what has come to be called the financial services industry.

From a conservative business

whose principal functions were providing a safe place for people and businesses to keep their money and leading to good credit risks, banking has become an industry driving for constant growth at home and abroad. Banks have been moving into other fields in competition with stockbrokers, insurance companies, mutual funds and even retail chains, which, in turn, are now moving into banking.

But in this hectic new environment, with banks competing aggressively for new markets and facing less and less resistance from regulators, worries have grown that the safety of banks has been undermined.

Those worries and banks' regard for their fiduciary responsibilities have now been brought to a head by the virtual collapse of Continental Illinois Bank.

Representative Ferdinand J. St. Germain, chairman of the House Committee on Banking, Finance and Urban Affairs, says the Continental rescue, the biggest ever attempted for any private enterprise (Continued on Page 9, Col. 4)

Bank Borrowing Rose Before Rescue Package

By Robert A. Bennett

New York Times Service

CHICAGO — Continental Illinois National Bank and Trust Co.'s borrowings from the Federal Reserve were far larger than believed in the days just before its rescue package was announced, according to officials of the bank.

The borrowings climbed to \$5 billion or \$6 billion a day, David G. Taylor, the bank's departing chairman, said Friday.

That was in addition to a longer-term, \$2-billion injection of funds by the Federal Deposit Insurance Corp. and a group of major banks last May. It also was in addition to drawings of about \$4.12 billion on a \$5.5-billion special line of credit from 28 banks.

But the crisis appeared to ease immediately after Thursday's \$4.5-billion rescue program, Mr. Taylor said. Continental's stock price also improved.

Mr. Taylor is to step down as chairman and chief executive officer of the bank and the holding company on Aug. 13, to become vice chairman.

Mr. Taylor said that as soon as the rescue plan was announced, Continental was able to sell large three-month certificates of deposit for the first time in weeks. More were sold on Friday, he said, although he would not disclose the amount.

Until the announcement, the bank had not been able to get investors, including other banks, to place their funds in Continental for more than a few days, or a week at most.

Such reluctance prevailed even though Continental was paying more than other banks for such deposits and even though a blanket guarantee of Continental's deposits had been made by the FDIC and the Federal Reserve.

But William S. Ogden, former vice chairman of Chase Manhattan Bank, who has been named to run Continental Illinois bank, urged caution Friday in reacting to the sale of the CDs.

"Confidence is a strange thing," he said. "It can be lost very, very quickly and it takes time to get it back."

Confidence is returning, he said, but "we'll know it's there when people invest their money with us without giving it special thought."

Mr. Ogden and John E. Swearingin, who was named to head the holding company, Continental Illinois Corp., said it would take time to determine their plans for the bank.

"I'm coming to this new," said Mr. Swearingin, who ran Standard Oil Co. of Indiana for 23 years.

Mr. Ogden said that "we expect to be a significant bank in the Midwest, the nation, and to some degree overseas, because you can't be a significant bank in the United States if you don't have an overseas presence."

He said he would try to cut back on unprofitable activities and ones that are not sufficiently profitable and to expand profitable activities.

As to the influence of the FDIC, because of its effective control, Mr. Swearingin said he had dealt with other large shareholders and the important element was to avoid surprising them.

He added that, for the time being, the comptroller of the currency "will give more time and attention to this bank" than he might with an ordinary bank. But he said the comptroller's involvement was that of a regulator, not an owner.

■ Staff Checks Promised

Kevin Klase of The Washington Post reported from Chicago:

Mr. Ogden praised the Continental staff, but declared that before a future course is decided, "John and I, working together, will have to satisfy ourselves as to the capacity of management at all levels — the control, feedback, counter-checks — all the myriad things that go into a management structure."

Mr. Swearingin said that he would "like very much to see somebody in the bank" become the new chief operating officer.

Of the bank's relationship with the FDIC, Mr. Swearingin said, "There is no formal reporting structure. They haven't suggested it, nor have we," making clear he would not welcome the kind of close management involvement that the Treasury asserted during the Chrysler Corp. bailout.

Commodities Fall Is Bad News for Third World

By Jane Scabery

Washington Post Service

WASHINGTON — When the price of cattle drops, that is good news on the inflation front, promising lower meat prices in grocery stores. But it also sends shudders throughout cattle ranches in less developed countries that depend on the prices of commodity exports to help them pay their mounting international debts.

The prices of such commodities as beef, oil, iron ore and soybeans have been plummeting in recent months, for the first time since the 1981-82 recession ended. The decline is unusual at this stage of an economic expansion, when demand for goods usually rises and, presumably, prices of commodities would climb.

The price of oil on spot markets, for example, has dropped steadily since mid-June, and many oil-exporting countries have been selling their crude supplies at as much as \$4 a barrel below their official prices.

Gold, copper and grains also have been falling on world markets. "The world recovery is not going very well," said David Wyss, senior vice president at Data Resources Inc. "Commodity demand is still

very low. The rest of the world is still in recession. Europe is not buying commodities."

Some economists, particularly supply-siders, say this unusual decline in prices is the precursor of a general downward spiraling of prices that will continue to sap economic strength, leading to a worldwide depression.

More moderate economists provide a less apocalyptic outlook, saying that the erosion of prices is signaling a slowdown in demand and will subsequently lessen credit pressures and allow for lower interest rates. As economic growth improves around the world, commodity prices should turn upward, they say.

There is agreement that the declining commodity prices have been a major reason for the low rate of U.S. inflation that has shown up in prices at the wholesale level. The U.S. Producer Price Index has remained unchanged for three consecutive months.

"We don't believe it's an indication of the economy's about to take a nosedive" because of insufficient demand for goods or an overly restrictive supply of credit, said Alan Murray, an economist with Citicorp Information Services. Instead,

he said, the decline can be explained by some special factors affecting both specific commodities and the economy in general.

These factors include the recent increase in interest rates, which has contributed to a strong dollar and a resulting rise in the relative cost of commodities that are paid for in dollars or dollar-denominated currencies. The high relative cost depresses demand, boosting supplies, which presses prices downward.

However, prices have not dropped enough or for long enough to rekindle a growing demand for the commodities. In addition, the economies of most buyers of these commodities have not recovered enough to permit a stronger demand for the goods, economists said.

Ironically, many economists say that although the relatively steady drop in commodity prices since the spring has hurt cash-poor less-developed countries, these countries also have exacerbated the problem by trying to export more and more of their coffee, sugar, iron ore, gold and other commodities to earn valuable foreign exchange.

Spot oil prices have been dropping in part because many oil producers are trying to churn out the product to help their earnings and are often selling at a discount to get rid of it. Because the recovery has not taken hold worldwide, demand for petroleum products has not increased rapidly enough to keep pressure on prices.

"Countries like Nigeria are fighting off bankruptcy," Mr. Wyss said. Many members of the Organization of Petroleum Exporting Countries are cheating on prices they have agreed to charge and the amounts they have said they would produce to increase their earnings.

"The same goes with Iran to finance its war with Iraq," Mr. Wyss said. "You have people putting out enormous supplies of commodities because they need cash."

However, with the winter months approaching, which usually means higher oil demand, "we expect firming of prices," Mr. Murray said.

William V. Sullivan, senior vice president for Dean Witter Reynolds Inc., said "Beyond the longer-term perspective, it is clear many technical factors are at work in placing downward pressures on prices and that once these factors are removed, a rebound in the commodity markets is possible."

There also are long-term trends at work reducing demand for some important basic commodities. The auto industry, a major metals user, (Continued on Page 13, Col. 8)

UAW Rejects GM Stance on Earnings

The Associated Press

DETROIT — General Motors Corp. has taken its latest earnings report to the bargaining table, trying to persuade the United Auto Workers union that big second-quarter profits do not mean that the company can afford a big labor settlement. But the UAW disagreed.

GM's earnings statement, released Friday, and showing a \$1.6-billion profit for the three months ended June 30, also was sent on closed-circuit television to blue-collar workers in several plants.

GM's chief labor negotiator, Alfred Warren, said the automaker showed union bargainers secret plans for future cars and figures that show GM plans to spend \$30 billion on new products in the next four years.

It was an attempt to show the union, he said, that despite the profits "we're still as uncompetitive as we were, in large measure, at the height of the recession."

He said GM needs a labor settlement that will allow the company to supply itself "with the kind of capital we need."

But the UAW's chief bargainer at GM, Donald Ephlin, said he was unimpressed with the presentations and that GM's continuing profits would fuel workers' demands for higher wages.

"Baking a pie is a wonderful experience. I guess, for the cook. But unless you get to eat a piece of it, it doesn't mean a lot," he said.

Halfway through the year, GM, Ford Motor Co., Chrysler Corp. and American Motors Corp. have made more than \$6.6 billion, eclipsing the full-year record of \$6.15 billion set last year.

One-fourth of GM's second-

quarter profit came from a one-time federal tax break of \$422 million.

The UAW's contracts with GM and Ford expire Sept. 14. Among the union demands is a raise in base pay, which has been frozen since 1981.

Mr. Warren said that if GM operations continue uninterrupted, the UAW's workers could make about \$1,000 at the end of the year in profit-sharing. They made an average \$660 for last year.

Although a record for a second quarter, the GM profit was just shy of an all-time record for any quarter. That was set in this year's first quarter when GM earned \$1.61 billion.

Ford reported Thursday it made \$909 million in the quarter and Chrysler last week announced a second-quarter profit of \$803 million. AMC made \$4.7 million.

GM's second-quarter earnings came to \$5.09 a share. That compares with a profit of \$1 billion, or \$3.32 a share a year ago.

Sales for the quarter were \$21.6 billion compared with \$19.4 billion a year earlier.

The latest report brought GM's earnings for the first half of the year to \$3.22 billion, up 89 percent from \$1.72 billion in the first six months of 1983. GM said \$3.73 billion in all of 1983, its record year.

First-half sales rose to \$44.5 billion from \$36.1 billion a year ago.

CONSOLIDATED ANNUAL REPORT

(For the period April 1, 1983 to March 31, 1984) In Millions of Yen

Statement of Income		5-year Growth of Consolidated Net Sales (Year ended March 31)	
Sales and other income</			

NEW EUROBOND ISSUES

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price at week	Terms
FLLOATING RATE NOTES							
U.I. Int'l Capital	\$85	1992	1/2	100	—	—	Over 3-month Libor. Minimum coupon 5 1/2%. Non-callable, increased from \$75 million.
Lloyds Bank	£100	1996	1/2	100	—	99.35	Over 3-month Libor. Minimum coupon 5 1/2%. Callable at 100 on any payment date after Aug. 1989. £100 million issued now and £100 million reserved to be guaranteed at any time. Commission 1.20%.
FIXED-COUPON							
A-S Exportations	\$100	1987	13 1/4	100 1/4	13.14	—	Each \$100,000 bond with 5 warrants to be exercisable into a \$1,000 note of company's 12 1/2% of 1989 at par. Warrants valued at \$14 each. Package ended the week of 10/11, with warrants of \$13.
Chugoku Electric Power	\$50	1989	13 1/4	100	13 1/4	—	Non-callable.
Montagu Placements Limited	\$100	1991	13 1/4	100	13 1/4	97.75	Callable at 101 1/2 in 1989 and at 101 in 1990.
Nippon Yusen Kabushiki	\$50	1989	13 1/4	100	13 1/4	—	Non-callable.
Investors in Industry Int'l	£150	1989	11	100	11	98.50	Non-callable.
EQUITY-LINKED							
Kowachima Textile Manufacturing	DM45	1990	4	100	4	—	Callable at 105 in 1989. To be redeemed at 105, giving an effective yield of 4 1/2%. Convertible at 354 yen per share, a 4 1/2% premium. Exchange rate set at 86 1/2 yen per mark.

Prices of Continental's Bonds Soar

(Continued from Page 7) fixed-rate funds into low-cost floating-rate money. But the recent rise in Eurobond yields has made such maneuvers much harder to arrange. Another obstacle is the dollar's obstinate strength. Many equally obstinate investors do not want to buy it at current levels. So new issues were scarce last week. The seven-year, 13 1/4-percent Montagu Placements dollar bonds slithered down to a discount level of about 97 1/4, for a yield of 13.77 percent. Montagu Placements is a shell

company created solely for this bond issue. Based in Bermuda, the company is to lead the proceeds on to a third party, which has not been identified. The bonds are guaranteed by triple-A-rated Acta Life & Casualty, which gets a fee for its trouble.

Samuel Montagu & Co., the lead manager of the issue, says the anonymous borrower is a triple-A credit itself. The borrower apparently reasons that it can get its funds more cheaply by cashing in on the rarity value of an issue backed by Acta.

Stripped of their warrants, the

13 1/4-percent, three-year dollar bonds from A/S Exportations, the Norwegian export-credit agency, ended the week yielding about 13.57 percent.

The five-year European currency unit bonds from Investors in Industry, bearing a coupon of 11 percent, were yielding 11.41 percent. Owned by the Bank of England and five British clearing banks, Investors in Industry is a lender to small business.

Lloyds Eurofinance NV, a unit of Lloyds Bank PLC, offered £100 million of 12-year floating rate notes. A sinking fund will reduce the average maturity to about 10 years. Lloyds may release as much as £100 million more notes later, depending on market conditions.

The notes were quoted at around 99.35 Friday. That would produce a yield of roughly 19 basis points above the London interbank offered rate for three-month sterling deposits, currently about 12 1/4 percent.

Profit-Taking Replaces Speculative Demand

By Michael Quint
New York Times Service
NEW YORK — Investor and speculative demand that helped fuel sharp gains in note and bond prices in the middle of last week was supplanted by Friday by a desire to sell securities and take profits, analysts said. Short- and long-term interest rates rose modestly Friday in quiet trading.

Long-term bond prices, which rose about three points in the previous two days, fell by about 5/8 of a point. After opening lower, prices

were lifted shortly before noon when traders learned that the Soviet Union temporarily cut some oil prices by \$1.50 a barrel. The lower oil price lent support to the idea that inflation will remain low and help pull down bond yields.

By late in the day, however, the Treasury's 13 1/4 percent bond, due in 2014, was offered at 103 1/4, down about 1/4, to yield 12.83 percent. The new 12 1/2 percent notes, due in two years, were offered at 100 3/32, down about 3/32, to yield 12.57 percent.

Some of the weakness in note and bond prices stemmed from an increase in the overnight rate for bank loans in the federal funds market, to an estimated average of 11.44 percent, up from 11.29 percent Thursday and 11.19 percent in the week ended Wednesday.

Although one day's trading in the funds market does not mark a trend, concerns that the funds rate could rise were heightened when the Federal Reserve temporarily sold securities to drain reserves from the banking system over the weekend and thereby put upward pressure on the funds rate.

In concert with the higher funds rate, most other short-term interest rates rose by 5 to 10 basis points, or hundredths of a percentage point.

The Fed's willingness to temporarily drain reserves from the banking system when federal funds were trading at 11 3/16 percent was a

U.S. Consumer Rates For Week Ended July 27

Passbook Savings	5.50 %
Tax-Exempt Bonds	10.19 %
Fixed-Rate 30-Day Average	10.19 %
Money Market Funds	10.19 %
Danaher's 7-Day Average	9.69 %
Bank, Money Market Accounts	9.69 %
Bank Rate Monitor Index	9.69 %
Home Mortgages	14.74 %
FHLB Average	14.74 %

reminder, analysts said, that the Federal Reserve's chairman, Paul A. Volcker, did not make any outright pledge to keep interest rates from rising. In congressional testimony this week he said monetary policy officials decided in mid-July that there was no reason to make bank reserves significantly scarcer.

"The Fed may not have changed reserve policy in July, but the recent increase in the Federal funds rate, to my mind, does reflect a less accommodative policy," said Timothy Howard, chief economist at the Federal National Mortgage Association.

Like many other analysts, Mr. Howard expects that the economy and credit demands will continue to expand rapidly enough this year and need to keep upward pressure on interest rates. Lower-than-expected inflation has been good news for the bond market, he said, "but low inflation is not sustainable, especially when the dollar weakens" in foreign exchange markets.

Business credit demands are not expanding as rapidly as they did during the spring, economists said, but recent data show that credit demands are still rising. In the July 18 week, business loans at large banks across the United States rose by \$21 million, excluding their holdings of bankers' acceptances.

Commercial paper, which is widely used by large businesses as an alternative to a bank loan, rose by \$727 million in the same week.

After rising by \$21.1 billion between Jan. 11 and May 30, business loans outstanding at large banks have fallen by about \$200 million over the last seven weeks.

West German Parliament Sets Debate on Power Plant

By Warren Getler
International Herald Tribune
BONN — Vacationing members of parliament will return to Bonn for an unusual session of the Bundestag next Tuesday to hear arguments about the start-up date for a controversial coal-generated power plant near Brunswick, close to the East German border.

The session, the first since September 1978, was urged by the Social Democratic Party as a move to forestall plans by the center-right coalition in Bonn to allow the Buschhaus power plant to become operational without an accompanying desulfurization plant.

Social Democratic leaders, supported by the Greens, a largely ecological party, contend that the government's intention to bring the plant on line in the next month runs counter to a sense-of-the-Bundestag vote four weeks ago that held that the plant should not become operational until desulfurization components are added.

Construction of the desulfurization plant would take some three years, at a cost of 200 million to 300 million Deutsche marks (\$70.05 million to \$105.08 million), government sources in Bonn said.

A spokesman for the Christian

Democrats said in an interview that in addition to the construction costs, 40 million DM would be required to compensate 30,000 workers who planned to begin work and an additional 250 million DM would be needed to pay for interest payments on the 850 million DM already invested in the plant.

The Buschhaus plant, 51-percent owned by Veba, the diversified energy group, and 49 percent by the government, must receive the approval of the Lower Saxony state government to become operational. Ernst Albrecht, president of Lower Saxony, has indicated that he will wait for the Bonn government's final decision on the plant's readiness, expected next Wednesday, before his regional government makes a decision.

The Christian Democrats have proposed a compromise solution aimed at reducing sulfur dioxide emissions. It would allow for the immediate start-up of the plant, but would substitute brown coal with a lower sulfur content for the coal originally intended for the plant.

As yet, the Free Democratic coalition partners have not stated full support for the Christian Democrats' compromise plan.

Cable TV Networks in U.S. Are Gaining Strength

By Peter Kerr
New York Times Service

NEW YORK — After years of financial ill health, industry analysts say, several major cable programming networks in the United States are showing a turn for the better this year. Three services are moving into the black and at least two others are hovering on the edge of profitability.

The improvement, the analysts say, indicates that at least a half-dozen advertising-supported national cable channels should survive their costly start-up periods.

Two reasons cited for the progress: growth in the number of cable viewers and a new enthusiasm on the part of advertising agencies trying to reach those viewers. The financial condition of several com-

mercial-free pay channels is improving as well.

As a result, the analysts see clearer indications of the number and types of cable services that will be available to viewers as the cable television industry reaches maturity.

"It looks like we will have about a dozen broad-based services that are viable, including about a half-dozen advertising-supported services," said John Reidy, an analyst with Drexel Burnham Lambert Inc. "It won't be the old cornucopia of services that people once spoke about. But we know these should survive."

According to figures released this month, two advertising-supported services, MTV: Music Television, the 24-hour music video channel, and Nickelodeon, a chil-

dren's service, have become profitable this year. They join the CBN Cable Network, an entertainment and religious programming service, that started making a profit at the end of 1983.

The two new services operated by the Turner Broadcasting System in Atlanta, the Cable News Network, a 24-hour news channel, and its sister service, CNN Headline News, together should reach profitability by the first quarter of 1985, according to Alan Cole-Ford, an analyst with Paul Kagan Associates, a leading cable television research firm. The Weather Channel, a 24-hour forecasting service of Landmark Communications Inc., Mr. Cole-Ford said, should make a profit early in 1985.

"This means there is a future in the cable programming business,"

he said. "The demise of several major channels seemed to convince people that there was little future in cable programming. But we seem to have reached a critical mass of programmers, viewers and advertisers, so that these companies can make the transition into profitability."

There are now 20 national advertising-supported cable networks, according to Cable Television Advertising Bureau, an industry trade group. Of those, the bureau says, only WTBS, an ultrahigh-frequency Atlanta broadcast station that is transmitted nationally by satellite, and Satellite Program Network, a smaller, Oklahoma-based entertainment service, were profitable in 1983.

There are also nine commercial-free national pay services, for which subscribers must pay an additional fee. They are led by the movie services, Home Box Office and Showtime-The Movie Channel, both of which were profitable last year. The Playboy Channel, a pay service that specializes in adult fare, says it began making a profit earlier this year, and a pay cultural service, Bravo, expects to be in the black by December.

According to Anthony Hoffman, director of corporate finance with Crain & Co., a Wall Street firm, at least two other ad-supported services, USA Network, a general-entertainment channel, and ESPN, a national sports channel, stand a reasonable chance of showing a profit sometime in 1985.

Mr. Hoffman cautioned, however, that some other cable programmers would face formidable obstacles. "There is an elite group of roughly a half-dozen advertising-supported channels that may be profitable by the end of 1985," he said. "But after that most of the others, I think, are going to have a hard time making much money."

The pessimistic climate that prevailed among cable programmers in the last two years stemmed in large part from the failure of several expensive and seemingly promising cable networks. In 1982 and 1983, CBS Cable, a cultural service; The Entertainment Channel, a quality entertainment service; and Satellite News Channel together lost \$125 million before they were shut down. All told, during

those two years, the 15 top cable channels were estimated to have lost more than \$375 million.

But this year, the ad-supported services have benefited from several factors, including the rapid expansion of the number of subscribers. As of last May, 36 million American homes had cable service, up from 32 million a year earlier, according to Robert Alter, president of the Cable Advertising Bureau. New households are being added to cable systems, he said, at a rate of about 300,000 a month.

As audiences grow, more cable channels are being measured by the A.C. Nielsen Co. Their ratings, like broadcast ratings, make them more attractive to advertisers. Mr. Alter estimated that cable advertising revenues will be \$434 million this year, up from \$303 million last year.

"There is no doubt that advertisers are increasing their commitment to cable," said Joel Segal, executive vice president for broadcasting of Ted Bates-New York, an advertising agency. "Advertisers now know how many people are watching and who is watching. We are more comfortable with them now."

Changes Expected in Banking Rules

(Continued from Page 7) by the federal government, "raises the greatest array of questions in the history of the federal bank regulatory system."

John Heimann, a former U.S. comptroller of the currency who is now deputy chairman of A.G. Becker Partners Inc., a brokerage and investment company, contends that Continental's troubles had "nothing to do with deregulation" but stemmed from "a corporate culture that led it to make imprudent loans." But he said he expected Continental's failure to lead to "far stricter control over the banks."

The U.S. Congress, banking regulators, and the Reagan administration are faced with two seemingly contradictory trends.

One is the drive for deregulation of financial services, spurred by new technology and the growth of domestic and world markets, as well as the blurring of the lines between different types of financial institutions. Many bankers and economists say it has become virtually impossible for regulators to monitor and control the enormous and instantaneous flows of information and money, domestically and internationally.

The second trend, dramatized by Continental Illinois, is the growing danger of what the failure of even a single huge international bank, and certainly of a few such banks at the same time, would mean for the stability of the domestic and international economy.

Richard N. Cooper, a Harvard economics professor who was formerly economic adviser of state for economic affairs, suggests that the trend toward worldwide finance cannot be stopped because it is founded on the irresistible force of technology.

"The world will be very electronic," Mr. Cooper said. "Thus, not only will large-scale financial transactions be able to take place virtually instantaneously to any part of the world — we are close to that situation today — but even retail transactions in financial services and in goods can take place electronically."

Many bankers and economists say deregulation will continue because it offers huge benefits to consumers and business.

Citing a Brookings Institution study that concluded that "the cost of deregulation is that the customer is much better off," Hans H. An-

gremueller, vice chairman of Citicorp, contends, "Deregulation, whether de jure or de facto, is going to happen."

The market forces that drive the U.S. economy have been pushing regulation aside, in transportation, in communication and, slowly, in financial services.

But the political reality of the Continental collapse, and the fear that the big Chicago bank is by no means the only institution that has lent imprudently and massively, is nevertheless expected to lead to regulatory reforms.

Mr. Heimann says he believes that the biggest of these changes in public policy should focus on deposit insurance and the adequacy of capital of financial institutions to back their outstanding loans. And he contends that banking regulations need to be changed to ensure greater diversity in portfolios and adequate capital behind loans.

Leading by major U.S. banks in Latin America and elsewhere in the Third World dramatizes those problems. All nine top U.S. banks had made loans to just four Latin American countries, Mexico, Brazil, Argentina and Venezuela, equal to more than 100 percent of their shareholders' equity. If those loans all went bad, the stockholders

would lose all or nearly all of their investment.

Lending by U.S. banks is discussed by Stephen Clarke, a former senior official with the Federal Reserve Bank of New York, in a new study commissioned by the New York Fed and published by Salomon Brothers Center of New York University. Mr. Clarke says that the banks' handling of risks involved in their huge lending abroad has been based on the assumption that large banks would not be allowed to fail.

"On this basis," he says, "the limits established for such institutions have been very high or nonexistent and credit assessment of them has been rudimentary."

Mr. Clarke also criticizes the scarcity of information about the quality of the loans by the banks. He urges that public information about individual banks be more complete, timely and open, and recommends that assessments by the Federal Deposit Insurance Corp. be related to risks and levied not only on domestic liabilities, as they are now, but also on foreign liabilities.

He stresses that these reforms be adopted only when financial conditions have become more settled.

Kohl Predicts 2.5% GNP Rise

Reuters

BONN — Chancellor Helmut Kohl said Sunday that he expects real GNP to grow by 2.5 percent in West Germany for 1984, despite recent strikes by metalworkers.

He said there is no doubt the strikes damaged West Germany economically, but he is sticking with the cautious forecast made by the government at the beginning of the year, noting that the danger of strikes was apparent when it was made.

Some forecasters said before the strikes that 3.5-percent growth was possible this year, but many estimates have been revised down to 2.5 percent. Growth last year was 1.3 percent.

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						Per \$100							Per \$100		
3.99	April 80	2%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 57 M	7%	94 Nov	134	1 Jul 77	moderly	\$17.12	\$34.423
3.99	Alcoa 20A	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20B	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20C	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20D	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20E	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20F	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20G	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20H	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20I	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20J	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20K	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20L	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20M	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20N	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20O	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20P	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20Q	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20R	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20S	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20T	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20U	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20V	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20W	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	110	1 Aug 72	moderly	\$28.78	\$35.423
3.99	Alcoa 20X	4%	95.50	15 Jan 82	100.00	5.50	5.28	Bedford-Park 62.72	6%	94 Nov	11				

On convertibles having a conversion premium of less than 10%.

[illegible]

CNS	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yan
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc

[illegible]

صبرنا من الازل

Sales in		Net			
100%		High	Low	Lost	Ch'ge
		254 9%	8 8%	8 1%	— 3%
†		13 8	8	8	— 1%
		26 6%	6	6	— 1%
.72	1.7	187 7%	7	7%	+ 1%
.10	1.4	19 7%	7	7%	+ 1%
		319 5%	5%	5%	+ 1%
		685 9%	9%	9%	— 1%
		5 10%	10%	10%	— 1%


Prices	Aug.	Nov.	Feb.
340	780-830	—	—
360	125-475	1400-1460	—
380	1.50-2.00	980-1300	17.50-19.50
390	0.50-1.25	675-825	12.75-15.75
400	—	425-575	10.75-12.75
410	—	275-425	8.50-10.00
420	—	200-300	6.00-7.50

Gold 333.00 - 333.00

Valence White Weld S.A.
 1, Quai du Mont-Saint
 1211 Geneva 1, Switzerland
 Tel. 31.62.51 - Telex 28.305

New Issue

July 27, 1984



SPERRY

Sperry Curaçao N.V.

DM 150,000,000

8% Bearer Bonds of 1984/1994

guaranteed by

Sperry Corporation

**Bayerische Vereinsbank
Aktiengesellschaft**

Berliner Handels- und Frankfurter Bank

Kreditbank International Group

Salomon Brothers International Limited

**Deutsche Bank
Aktiengesellschaft**

Union Bank of Switzerland (Securities) Limited
S.G. Warburg & Co. Ltd.

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هيكنا من الاجل

	Sales in					Net
	100%	High	Low	Last	Chg	
Wright/W	.38	42%	74%	9%	9%	-3%
X						
MidMap		74	124	11%	11%	
vXonic		50%	1%	%	%	
Y						
Ybcar 9	.12	8	7%	7%	7%	+ 1%
Yark/Pd		163	7%	7%	7%	
Z						
ZenNt s	.46	5.5	35/11%	3%	18%	
ZenUu	1.18	4.8	113/29%	2%	29%	
Zyad		135	1%	11%	1%	
Zyad		45	4%	9%	9%	+ 1%

Commodities Plummeting

"Cooperating with Japan is possible, just as we are in a joint helicopter project," an MBB executive said. "But it is difficult for Europeans to press ahead, and Japanese firms probably will prefer continuing to work with Boeing."

He noted that last March Seattle-based Boeing and four Japanese aerospace companies signed a letter of understanding aimed at joint development of a medium-sized jet airliner to compete with Airbus's 150-seat A-320 in the late 1980s.

Mr. Abraham also said that he was opposed to increased airline deregulation in the European Community, which Prime Minister Margaret Thatcher of Britain has been urging on her EC partners. The British and Netherlands governments recently announced they were removing most regulations affecting fares and capacities on routes between their countries. That move was encouraged by the EC Commission.

East Germany, and increase plane capacity on its three flights a week to Tehran, where business travel is described as increasingly "brisk."

But there also have been disappointing, mainly over the continuing absence of a plane to handle long-range passenger traffic between what Mr. Abraham calls "secondary markets."

Over the past several years, Lufthansa has phased out service to 10 relatively small cities in Africa, Latin America and North America. They were previously handled by its 707s, but neither they nor the 747s are economical for the runs involved.

Since 1979, Mr. Abraham has argued hard for development of the 747-400, but says such long but less-traveled routes to replace its 707s and its McDonnell Douglas DC-10s.

The possible participation by Japanese aerospace companies in building the TA-11 could help ease some of the burden in financing the plane's construction. Lufthansa executives said they were encouraged by discussions between Airbus and the Japanese in Tokyo last week.

Bul Messerschmitt-Bölkow-Blohm, a major shareholder in Air-

[illegible]

For the Week Ending July 27, 1984

[illegible]

	Options & Prices	Costs	Puts
	109	71 1/2	2 1/2
	110	72 1/2	2 1/2
	111	73 1/2	2 1/2
	112	74 1/2	2 1/2
	113	75 1/2	2 1/2
	114	76 1/2	2 1/2
	115	77 1/2	2 1/2
	116	78 1/2	2 1/2
	117	79 1/2	2 1/2
	118	80 1/2	2 1/2
	119	81 1/2	2 1/2
	120	82 1/2	2 1/2
	121	83 1/2	2 1/2
	122	84 1/2	2 1/2
	123	85 1/2	2 1/2
	124	86 1/2	2 1/2
	125	87 1/2	2 1/2
	126	88 1/2	2 1/2
	127	89 1/2	2 1/2
	128	90 1/2	2 1/2
	129	91 1/2	2 1/2
	130	92 1/2	2 1/2
	131	93 1/2	2 1/2
	132	94 1/2	2 1/2
	133	95 1/2	2 1/2
	134	96 1/2	2 1/2
	135	97 1/2	2 1/2
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	137	99 1/2	2 1/2
	138	100 1/2	2 1/2
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	141	103 1/2	2 1/2
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	144	106 1/2	2 1/2
	145	107 1/2	2 1/2
	146	108 1/2	2 1/2
	147	109 1/2	2 1/2
	148	110 1/2	2 1/2
	149	111 1/2	2 1/2
	150	112 1/2	2 1/2
	151	113 1/2	2 1/2
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	153	115 1/2	2 1/2
	154	116 1/2	2 1/2
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	156	118 1/2	2 1/2
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	158	120 1/2	2 1/2
	159	121 1/2	2 1/2
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	167	129 1/2	2 1/2
	168	130 1/2	2 1/2
	169	131 1/2	2 1/2
	170	132 1/2	2 1/2
	171	133 1/2	2 1/2
	172	134 1/2	2 1/2
	173	135 1/2	2 1/2
	174	136 1/2	2 1/2
	175	137 1/2	2 1/2
	176	138 1/2	2 1/2
	177	139 1/2	2 1/2
	178	140 1/2	2 1/2
	179	141 1/2	2 1/2
	180	142 1/2	2 1/2
	181	143 1/2	2 1/2
	182	144 1/2	2 1/2
	183	145 1/2	2 1/2
	184	146 1/2	2 1/2
	185	147 1/2	2 1/2
	186	148 1/2	2 1/2
	187	149 1/2	2 1/2
	188	150 1/2	2 1/2
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	223	185 1/2	2 1/2
	224	186 1/2	2 1/2
	225	187 1/2	2 1/2
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	249	211 1/2	2 1/2
	250	212 1/2	2 1/2
	251	213 1/2	2 1/2
	252	214 1/2	2 1/2
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	264	226 1/2	2 1/2
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	399	361 1/2	2 1/2
	400	362 1/2	2 1/2
	401	363 1/2	2 1/2
	402	364 1/2	2 1/2
	403	365 1/2	2 1/2
	404	366 1/2	2 1/2
	405	367 1/2	2 1/2
	406	368 1/2	2 1/2
	407	369 1/2	2 1/2
	408	370 1/2	2 1/2
	409	371 1/2	2 1/2
	410	372 1/2	2 1/2
	411	373 1/2	2 1/2
	412	374 1/2	2 1/2
	413	375 1/2	2 1/2
	414	376 1/2	2 1/2
	415	377 1/2	2 1/2
	416	378 1/2	2 1/2
	417	379 1/2	2 1/2
	418	380 1/2	2 1/2
	419	381 1/2	2 1/2
	420	382 1/2	2 1/2
	421	383 1/2	2 1/2
	422	384 1/2	2 1/2
	423	385 1/2	2 1/2
	424	386 1/2	2 1/2
	425	387 1/2	2 1/2
	426	388 1/2	2 1/2
	427	389 1/2	2 1/2
	428	390 1/2	2 1/2
	429	391 1/2	2 1/2
	430	392 1/2	2 1/2
	431	393 1/2	2 1/2
	432	394 1/2	2 1/2
	433	395 1/2	2 1/2
	434	396 1/2	2

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